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Policy Review

The Lost Civilization of Unesco
TOM BETHELL

The Shock Horror Welfare Cut Show
FRED BARNES

Can Europe Be Defended?
THOMAS A. CALLAGHAN, JR.

Objections to Privatization
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Busy Doing Nothing: Government Job Creation
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Central Planning and Other Traffic Accidents
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Controversy

Perspectives on Rioting: Classroom v. Street

Dear Sir:

Louis Bolce perpetuates some old myths and creates a new one in his Fall 1982 *Policy Review* article, "Why People Riot." Such myths about riot causology are dangerous, witness the November 27, 1982 riot in Washington, D.C., of several hundred demonstrators summoned by professional Marxist engineers of social demolition to protest a Ku Klux Klan demonstration. Professor Bolce, the Justice Department, Federal Bureau of Investigation, and Washington police all seem to have missed or forgotten the painful lessons of the 1964-1971 urban and campus riots.

Professor Bolce propounds a theory that "a pervasive and intolerable sense of uncertainty" bubbled up like swamp gas for a decade among ghetto blacks and produced uncontrollable impulses to violence. He offers seven complicated charts as scholarly claptrap to gull the unwary, but way down in a footnote he reports the survey upon which his charts were based included just seventy-seven black respondents who reported actual riot involvement—a number he admits "was too small to allow for control procedures." How P. T. Barnum would have loved this performance!

Indeed, not only is such a number too small for any rational appraisal of black ghetto riots covering seven years, involving more than 125 cities and tens of thousands of rioters; but survey research itself is virtually useless in such an endeavor. Professor Bolce commits the same error as President Johnson's Commission on Civil Disorders ("the Kerner Commission") did in its 1968 report: both sought explanations and "causes" in the attitudes of large numbers of blacks, very few of whom actually rioted, and all of whom were polled long after the first-round violence had already enflamed and polarized the nation and set its articulate ideologues to gabbling with rainbow rationalizations, justifications, and "explanations."

After-the-fact survey data is useless for a simple reason. As one social scientist who wandered for several hours among Detroit rioters in July 1967 told me later, "What I saw convinced me strongly of the limitations of survey work. It was quite clear that in another thirty-six hours the impressions are all realigned as to 'why I threw that Molotov cocktail' and the like. Ask polling questions after twelve hours, and they will parrot reasons given by more articulate members of the community. All attitudes are realigned. But at the time the motivation was specific and wholly untheoretical."

Even data on riot arrestees can be deceiving, and indeed it did deceive many analysts of the 1964-70 riots, especially the Kerner Commission. This happened because usually in the early stages of a riot police are simply not on the scene and not making arrests. Even after the initial stage, police may remain inactive for hours, as happened in Newark. They may even be withdrawn from the riot

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area, as was done in the 1965 Los Angeles Watts riot that Professor Bolce describes. LAPD Chief Parker later declared that his decision to accede to black and white civic leaders and pull his forces out of the riot zone on the day after the initial incident was the worst blunder of his long and distinguished law enforcement career. It was only then that the "drawing effect" took over and the Watts violence escalated rapidly in property damage and bloodshed. Thus social data about riot arrestees must be compared to a minute-by-minute chronology of riot action from the first violent incident onward, and also correlated with a record of police activity or inactivity as established by tapes and logs of radio calls and interviews with street commanders concerning their manpower strength, dispositions, and tactics. Only by such comparisons can one begin to fathom who got arrested and who got away, and whether one is looking at the real riot instigators, or the large number of slow runners, including women and children, who get sucked into the looting carnival after the "drawing effect" develops.

I know of only two such analyses done in the 1960s riots: one done informally and hurriedly in Detroit by a Senate staff sociologist of the Juvenile Delinquency Subcommittee, and one by the Toledo, Ohio, police chief. They showed convincingly that early riot participants, the "cutting edge" who lead the violence, are invariably the free-floating urban criminals with long police records who happen to be on the street at the moment and who quickly sense and exploit an opportunity for pillage. The subsequent studies by criminologist Marvin Wolfgang of criminal records of the Philadelphia birth cohorts of 1945 and 1958 demonstrate that about six percent of fifteen-to-twenty-five-year-old males in any city are active, persistent violent criminals. These "dirty six percenters" commit more than half of all offenses and two-thirds of the violent crime. Many of them are psychopathic personalities who, the accumulating evidence indicates, are genetically predisposed to criminal behavior by inadequate autonomic nervous systems that render them relatively immune to normal social conditioning. (See Sarnoff A. Mednick's "Biology and Violence" chapter in Wolfgang and Weiner's 1982 book *Criminal Violence* and Hans J. Eysenck's 1977 third edition of his *Crime and Personality*.) These sociopathic "dirty six percenters" constitute a free-floating riot waiting to erupt anytime the civil authorities signal a moral holiday or demonstrate inability to control mass violence. Whether they do so has nothing to do with decades of unsettling social conditions, as Professor Bolce would have us believe, and everything to do with the will and ability of the cops to act, to preserve the peace and arrest lawbreakers as soon as the violence starts. Here enters another crucial element of riot causology, the professional engineers of social demolition, who constantly seek to inhibit and overwhelm law enforcers with psychological bombardments and large numbers.

So: the critical and proximate factor in riot causation is not the attitudes of masses of unsettled and socially traumatized blacks, most of whom are law-abiding for all that. The crucial factor is the attitude of civil authorities. What were the mayors, police chiefs, and precinct captains doing during the earliest phases of the outburst? Were they taking swift and firm action? Or shilly-shallying, wringing their hands, and even weeping?

The Washington, D.C., police department demonstrated on November 27 that it had forgotten the lessons of the 1968 Washington riot and the 1965 Los Angeles riot. They pulled out of the riot zone and allowed the mobs to maraud for two to three hours. It didn't work in 1965, 1968, or 1982.

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Riot causology is not simple. But a clear understanding is critical for the maintenance of civil peace. As a reporter I saw the campus and urban ghetto riots of the 1960s first-hand, and wrote a 586-page book called *The Riot Makers* (1970) describing that causology and prescribing solutions. So I am hardly one to oversimplify. But if I had to give a short answer to Professor Bolce's question, "Why People Riot," I would say: Because the cops let them. As for why the cops let them, see the book.

Eugene H. Methvin
Readers Digest
Washington, D.C.

Dear Sir:

Once again I marvel at the charts and graphs and the exercises of so many of the "social scientists." Mr. Bolce apparently marvels at them also. Unfortunately, as have so many of the social scientists regarding "rioting," they give little or no credence to those who *never* participate in rioting but who find in rioting a mechanism which greatly facilitates their objectives.

In the two years prior to the Watts riots I worked eight hours a day, five days a week immediately adjacent to the northeast perimeter of the Watts area, and in commuting to work I drove almost the entire length of the Watts area. (1) There were several blacks who lived in that area who worked under my supervision. (2) In addition to this direct contact, I was attending night school at the University of Southern California working on my masters and attended three graduate classes with a very venerable black professor from Howard who had some very close contacts and associations with blacks resident in the Watts area. (3) A close friend of ours was a Los Angeles police officer whose beat included the Watts area.

From these three close contact sources (and other lesser ones), there was no question in my mind but that trouble had been brewing in the Watts area for some several years, and it was primarily instigated by organized agitators. The three sources mentioned above all fed information in to me separately which dovetailed perfectly with each other, as well as my own observations.

Resident blacks were fully aware that those neat, trim, well-dressed blacks standing on the street corners at major intersections, posing as Black Muslims and passing out inflammatory literature, were part of a team of professional agitators. They told the same story about those who appeared at church services and other meetings, constantly fanning the blacks against "whitey."

The professor told of the information he received from fellow Howard University classmates located in other large cities in the "north" who were fully aware of the professional agitators constantly fanning the racial issues, not dealing with existing reality, but spreading lies and misinformation, not to resolve issues but to promote violence.

The police officer recited the same litany. He told us that they were fully aware of the presence of professional agitators, even had a host of them clearly identified, with their previous record of agitation in other major metro areas, but the "city fathers" ignored the repeated warning of the police chief as to the danger and trouble which was brewing.

We all know how this dovetailed perfectly with the dissension regarding our position in Vietnam. The strategy and tactics are familiar and dreadfully successful, blowing on both sides of our natural human prejudices to create vio-

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lence and disruption and succeeding in destroying our moral fiber at home, and defeating our efforts abroad.

There is much of value in Mr. Bolce's presentation, but there is nothing perfect at all in human interpersonal relationships. Every child is born "insecure and unstable," and its life is nearly exhausted before it realizes that there is no such thing in human existence as security and stability. My father used to use an expression I could not understand until I was past fifty—he'd say, "Folks just can't stand prosperity." He meant that "insecurity and instability," in all their varied forms and degrees, are essential elements of human existence; they challenge, stimulate, and motivate. The temporary intervals of success, joy, etc. are "flat spots," boring, unsatisfactory, and unsavory human behavior, and sometimes our efforts to "spice" things up result in inappropriate behavior.

The reality is that there IS such a thing as plotting, and a plotting which has nothing to do with race, color, or creed except as it can be used to serve the ulterior purposes of the plotters.

Robert W. Demers
Veneta, Oregon

Dear Sir:

The article "Why People Riot" that appeared in the Fall 1982 issue of *Policy Review* is badly conceived, its thesis flawed, and its behavioral methodology inconsistent with the usual high standards of the review. We realize that independence is the essence of a free review, but to publish a major study that is historically incorrect, theoretically biased, and quantitatively loaded lessens the impact of *Policy Review* and The Heritage Foundation. It is because of the possible long-term effects that such a major article might have that we feel compelled to suggest contrary evidence.

We admit that we are normative in our perspective. The two of us lived through the inner-city riots. One as a close observer; the other as an organizer and participant. We hope to contribute some "street sense" into a thesis that lacks empirical evidence, relies upon false assumptions, and inevitably perpetuates a myth, which in the computer-age jargon is known as gigo: garbage in and garbage out!

This is less an attack on the scholarship of Professor Louis Bolce, author of "Why People Riot," than on the current trend in political science to insist upon quantitative studies where empirical studies already hold the answers sought. Initially, we question if Professor Bolce is old enough to have been involved in the riots because the variables he utilizes in his study are spurious in our minds.

While quantitative methodology as prescribed by the Survey Research Center may have some import in voting trends, it can also produce skewed answers if the variables introduced in the methodology are off base. To begin, the very title of the article is misleading. The article does not deal with "people" in general, but with some people in particular. Professor Bolce's analysis focuses on those black people who rioted in the inner-cities in the 1960s, not about riots and people—*generalis*.

The ivory tower technique of methodology exhibited by Professor Bolce makes us wonder as to his nearness to the inner-city riots. We do not question his academic credentials, but we wonder, in his case, as with many academics, if they are not too removed from the streets to see the obvious. Perspective is often more the cause of faulty original theses than bad methodology. We believe

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Professor Bolce is naive in his contention that the base of the riots was black *angst*. The good professor would have his readership believe that a new theory is needed to explain what has already been explained. He would have us superimpose a quantitative, behavioral thesis over the first-hand, empirical evidence and accept a psycho-social-economic explanation, which is almost metaphysical in content.

Because this is not a counter-article we must be content to suggest that the thesis is incorrect and then to propose a counter-thesis based upon personal experience. We do not believe that the relative economic poverty of the people in the inner-city ignited the riots. The evidence of what was stolen (conspicuous consumption items rather than foodstuffs) is our justification in this case. Social *angst* and unfulfilled expectations did help to create the climate for exploitation by various revolutionary groups. This *angst* is similar to Marx's alienation and is, we believe, not quantifiable. Further, we perceive no measurable difference in the *angst* of the poor in the inner-city now and then. The expectational factor is not dulled, but less diluted than previously observed.

One of us grew up in the inner-city (South Philadelphia) and knows the socio-psychological attitudes of the people of the inner-city. Having grown up poor does not automatically lead one into a riot mentality. To suggest that black people who are poor are more likely to riot is a dangerous and reckless assumption. This is the very argument that the Marxist-Leninist revolutionaries suggested at the time. It was no more true then, than now.

We believe that the inner-city riots of the 1960s were partially inspired and, once begun, expanded by Marxist-Leninists who openly attempted to use these riots to force a major confrontation with the federal government. One of us helped organize and then spread the Harlem riots in 1964. The grand jury investigation and the following trials proved that the Progressive Labor Party played a significant role in the riots. Those jailed as a result showed a societal conviction that politics played a key role. The same historical evidence is available regarding the riots in Philadelphia, Cleveland, Detroit, Newark, and Watts.

In his important book, *The Riot Makers*, author Eugene Methvin says, "For weeks before its 1964 eruption Philadelphia buzzed with rumors that New York black nationalists were sending agents 'to create a holocaust.' " Mr. Methvin adds, " ... after [Philadelphia] police initially calmed the precipitating Friday night street-corner incident," another rumor surfaced that "a pregnant black woman's been beaten and shot to death by a white policeman." Writes Mr. Methvin, "The rumor spread—and so did trouble." A similar well-organized rumor caused the riot at predominately black Jackson State University in Jackson, Mississippi when some people passed the false information that Mayor Charles Evers of Fayette, Mississippi and his wife had been shot and killed by white police. This resulted in two black students being killed at Jackson State.

We are not suggesting that all the inner-city riots of the 1960s were communist-led. We are suggesting, however, that the evidence shows that one of the major factors in the riots was the propaganda provided by Marxist-Leninists, the storing of arms and Molotov cocktails, the training of people for specific work in riots, and the funding of black radicals by white Marxist-Leninists. Our thesis also suggests that various liberal mayors added to the riot momentum with such stupid statements as this "will be a long, hot summer!"

The overwhelming evidence, we believe, tends to support our contention that a) the riots were not spontaneous outbursts of economic frustration; b) ultra-

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radical organizing had more to do with the expanded violence than did *angst*; c) these riots were politically motivated because of a continuing barrage from liberal politicians, the mass media, and some religious cranks insisting that riots were imminent; and d) Progressive Labor and other Marxist-Leninist organizations did their darnedest to help create a confrontation atmosphere and then expand the riots once they began.

The courts, the congressional investigations, and the state and city police reports tend to support our thesis. We were there.

One of us has a slogan hanging on the wall above the desk which states, "Those of you who believe you know everything are a burden to those of us who really do."

J. A. Parker
The Lincoln Review
Phillip Abbott Luce
Keene, Monk & Associates

Louis Bolce replies:

There has never been a study of a major historical event whose findings and conclusions were accepted by everyone. This has especially been true when, as in the case of the riots, the event in question was senselessly violent, socially and politically divisive, and whose after-shocks traumatized an entire country for a generation afterwards. Hundreds of books and articles—some of them government commissioned—have been written on this subject. Indeed, anyone capable of forming an opinion probably has his own theory about why people riot. This is not to say, however, that every one of these theories should be taken seriously or be given studious consideration.

The so-called conspiracy theory offered by some of my critics is a case in point. The fundamental issue concerning agitators is *not* whether some troublemakers tried to incite others to commit violence. Hardly anyone disagrees with that. The important question is whether the unsavory actions of such persons had any measurable influence on the riots, say by causing their occurrence or by affecting the intensity, magnitude, or duration. An estimated 30,000 persons participated in the Watts riots alone. To assert that these individuals as well as other rioters in cities throughout the country were unwitting dupes of Progressive Labor parties or Black Muslim conspiracy is not only naive and simplistic but a mockery of common sense. Anyway, almost every study, including those conducted by the McCone Commission, J. Edgar Hoover, and the National Advisory Commission on Civil Disorders, found no evidence that communists, Black Muslims, the PLP, or any other organized militant group played any more then a minor role in the riots.

Messrs. Parker and Luce's letter speaks for itself and therefore requires little comment. Inasmuch as their argument is based on ad hominems, nonsequiturs, and unsubstantiated assertions, misstates my thesis, and shows total contempt for the canons of scientific inquiry, their letter literally refutes itself.

As for Mr. Methvin, I believe his analysis of the riots is more in agreement with mine than he actually thinks. Perhaps if he reread my article, particularly the discussion in the concluding section on the problems facing the officers charged with enforcing the law, he would be happily surprised. I did not say that the riots were caused by the social and economic conditions of blacks; but I did not consider these conditions irrelevant either. What I did say was that a

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consideration of social forces, some of them building for a decade or so, converged during the 1960s, and that these factors had the effect of creating an atmosphere of uncertainty that contributed to the outbreak of the disorders.

Capitalists and Commissars

Dear Sir:

Your excellent article entitled "Capitalists and Commissars" brought back memories of my experience as a member of the Advisory Committee on East-West Trade of the U.S. Department of Commerce. The role of the committee was to assist the department in the promotion of trade with the Soviet Union, Eastern Europe, and China. It was composed almost entirely of corporate officers who handled relations with the communist countries. As I recall, the only academic member apart from myself was Marshall Shulman, who became adviser to Secretary of State Vance on Soviet affairs, and who was a true believer in the doctrine that by creating a web of economic relationships, trade necessarily improves political relationships.

The committee met three or four times a year to listen to what Commerce Department officials were doing in furtherance of trade. Our corporate members would then describe the agreements they were working out with Ivan, Nikolai, or Yuri, as their Soviet counterparts were often referred to. On several occasions I tried to point out that, at the very least, trade with communist countries enabled them to devote most of their R and D resources to the military sphere, since we did the work on consumer goods. In many cases, their military buildup could be hastened by the allocation of our advanced technology directly. My interventions were received with polite expressions of doubt. For my pains, I was dropped from the committee in 1979 after five years of unpaid service.

The only time we really debated the issues involved was when, at my urging, the late Nat Goldfinger, then chief economist for the AFL-CIO, was invited to address the committee. Goldfinger spelled out in no uncertain terms the harm that trade with the Soviet Union was inflicting on the United States, whereupon the assembled corporate vice-presidents proceeded to jump on him for his views. The representative of a corporation that had recently entered into a large buyback agreement with the Soviet Union criticized Goldfinger for endangering the jobs of AFL-CIO members who worked for his firm. Goldfinger replied: "I place the security of my country ahead of the jobs of my members." That ended the dialogue.

American business has a lot to answer for in helping raise the Soviet Union to the status of the world's preeminent military power.

Walter Galenson
Jacob Gould Schurman Professor of Economics
Cornell University

Who Speaks for the Free Market: Monetarists or Supply-siders?

Dear Sir:

According to the German sociologist Franz Oppenheimer, there are two mutually exclusive ways of acquiring wealth. The first he termed the "economic

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means," and this consisted of transforming natural resources into ever more valuable forms, the trading of goods and services, so that products would flow toward those who valued them more highly, and of gift giving on a voluntary basis. The second he called the "political means," and this described all nonvoluntary transfers of wealth, such as taxation.

In the view of the "classical liberal" school of political economy—which includes such men as Smith, Hume, Mill, Cobden, Bright, Bastiat, and in the modern day, Professors Mises, Friedman, and Hayek—the benefits of the "economic means" over the "political means" have always been thought to be twofold: increased freedom and increased economic wealth. The former is obvious. If, for example, the post office is denationalized, all would-be entrepreneurs would now have the freedom to enter this hitherto closed-off industry; customers would now have the freedom to patronize whichever of the new entrants they preferred, and taxpayers would no longer be required to contribute, against their will, to the swollen and recurrent postal deficits.

The case for the market place as an engine of wealth creation is equally straightforward. When a man plunks his hard-earned cash down on the barrelhead to buy an item in the private sector, we are justified in deducing that he valued the item more than the cost of it to him. We can make no such deduction as to wealth creation in the case of financial transactions through the fiscal system; he must pay taxes whether or not he benefits. The private, but not the public, sector moreover, benefits from the "weeding out process" of the profit and loss system: barring Chrysler-type bailouts, which are really an incursion of the government into the marketplace, inefficient entrepreneurs, but *not* inefficient bureaucrats, are automatically forced to cease and desist from their wealth-destroying activities.

Given this brief recapitulation of the classical liberal school, what was its public policy prescription? It was to limit government as much as possible; to allow it only the tasks the marketplace was thought to be unable to accomplish; i.e., to reserve to it only roles such as protecting property (both physical and human) and enforcing contracts (i.e., defense, courts, and police). As well, some classical liberals might add public health, roads, lighthouses, etc., as an appropriate role for government.

How do monetarism and supply-side economics measure up to this standard?

According to the analysis of the Laffer curve, a mainstay of the supply-side economists, if taxes are 0 or 100 percent, government revenues would be zero. In the former case, no private wealth would be collected, and in the latter case, none would be created. Somewhere in between lies a tax rate that would maximize revenues. Thus far, at this formalistic level, no one can object to the theory.

Many supply-siders go on to claim that tax rates in the U.S. (Canada, Britain, and several other Western democracies) are higher than those that would maximize government revenues, and that, therefore, a decrease in tax rates will actually increase the public sector "take." While much heat but little light has been expended in determining the truth of this claim, it is merely an empirical problem, presumably capable at least in principle of being answered in a way that will compel the allegiance of both monetarists and supply-siders.

Of much more significance is the implicit supply-side suggestion that fiscal policy *ought* to be dedicated to the maximization of tax revenues. Now this is a horse of quite a different color than the preceding formalistic and empirical claims, with which adherents of the classical liberal school would have to agree. For as we have seen, a central concern of the free market approach is, in the

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name of liberty and prosperity, to *reduce* government's role in society, not increase it, and certainly not to achieve that precise level of taxes which will *maximize* government revenues.

Can the monetarists claim any greater adherence to the free market principles of classical liberalism? Unfortunately not, at least as represented by Tim Congdon. In the view of this distinguished monetarist, the problem with supply-siders' views is 1) that tax reductions in the U.S. lead not to increased tax revenues, but to a fall, and hence to greater deficits, because "its taxpayers are not—and never have been—on the relevant part of the Laffer curve," and 2) that budget deficits are really equivalent to hidden taxes—inflation, government bonds "crowding out" private investment, and "debt debasement." The conclusion, says Mr. Congdon, "must be that the right course of action is to reduce or eliminate the budget deficit by a sufficiently large rise in visible taxes." Hardly a ringing endorsement of the classical liberal case for individual initiatives, low taxes, and marketplace alternatives.

Let us suppose that there were a supply-side forerunner at large during the pre-Civil War period. Might he hold the following view? "If you never whip your slaves, you will get no revenues out of them (they will refuse to work, and even, horrors!, run away). If you whip your slaves unmercifully for every slight infraction (i.e., whip them 100 percent of the time, every hour of the day), you will likewise get no revenue out of them. (They will drop dead.) Somewhere in between these two extremes is the optimal level of whipping, the rate which will just maximize plantation revenues. Now y'all slavemasters (this precursor speaks with a deep southern accent) have been a-whipping these here slaves *too hard*. If you would just let up a spell, you could, paradoxically, *increase* revenues."

And now, let's hear from the early nineteenth-century Congdonian monetarist: "No, no, no. Maybe they whip their slaves too hard over in Sweden, but we don't do that in the good ol' U.S. of A. Why, we've tried these dumb fool supply-side notions, and all we got was greater deficits in our plantation accounts. In any case, when visible whipping rates go down, hidden whipping is sure to rise."

In contrast, the classical liberal response is clear: the overwhelming concern ought to be with paring government down to "limited government size," not with squabbling over the best fiscal means of ensuring the continuation of a massively swollen public sector. Why should we go on blithely assuming that the bureaucrats in Washington or Ottawa can more effectively or ethically spend the hard-earned money of the long-suffering taxpayer than the taxpayer can himself? Whether for whipping or taxing, the optimal rate is not that which maximizes the oppressors' revenues; it is the minimal amount possible.

On the question of monetary policy, the classical liberal vision is almost entirely in keeping with the supply-siders, at least with regard to the Reynolds' version thereof.

The free market position on money, of course, does not advocate gold *per se*, but rather whichever commodity is freely chosen by market participants to play the monetary role. A gold or silver standard is favored, not because of any fetish for these particular metals, but because historically, whenever the marketplace has been free of political intervention, these metals have usually been the ones used as a medium of exchange and store of value. The key point is that the economic actors themselves, not government, should be "free to choose." If government monetary interventionism were to cease, and the marketplace were to

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choose to use as money platinum, or some other commodity instead of gold, no classical liberal advocate of the "gold standard" would raise even the slightest objection.

Alan Reynolds' citation of Samuel Brittain on monetarism was precisely on target. The difficulty with government monetary controls and regulations is exactly the same as in all other cases: there are no negative automatic feedback mechanisms to discourage error, with the result that a whole host of unintended effects and unforeseen consequences arise. Monetarists who oppose this dismantling of the Fed and central banking do indeed have a "touching faith in government" in this one area. But interventionism is no more justifiable here than anywhere else.

What then is the monetarist argument against the full gold standard? According to a foremost advocate of monetarism, the problem is that the maintenance of a commodity standard requires the use of real resources—and this can be quite expensive. But the difficulty here is that the argument proves far too much. For there are numerous other industries, standards, institutional arrangements, etc., besides the monetary system, which "require the use of real resources," although under ideal circumstances they would not.

If no one ever committed any crimes, for example, virtually the entire locksmith, detective, and (crime) insurance industries would be unnecessary. They require the expenditure of substantial amounts of real resources. Likewise, if government monetary authorities had proved themselves firm as the Rock of Gibraltar in refraining from excessive monetary expansionism, a commodity standard would be desired by practically no one. But the brute fact is the very opposite: we *do* have crime, and the history of economics is positively *littered* with government-created inflationary episodes. And we know full well, because of the keen insight of the monetarists themselves, that bouts of inflation are due to excessive money creation—a task solely under government control.

Were the logic of this case against the gold standard to be applied to the problem of crime, pacifism would be the result. (Since it costs real resources to combat crime, and under ideal circumstances there would be no crime, the expenditure of real resources cannot be justified.) We can see, then, that when it comes to protecting ourselves against the likely future inflationary excesses of the monetary authorities, this analysis amounts to an advocacy of a sort of pacifism. (Since a commodity standard, the alternative to the introduction of fiduciary elements into the monetary system, costs real resources, we should forego it, and trust the monetary authorities to act sensibly, and to abide by a set of rules.)

But this is an inappropriate policy recommendation for the classical liberal. Surely, in that philosophical tradition, there is no case for granting government control of so important a part of the economy, and then hoping that it will act responsibly. In the classical liberal view, moreover, each *individual* must decide how he wants to guard against criminals, or the inflationary tendencies of monetary authorities. Without a doubt, if the nonpacifistic alternative is chosen in either case, it will entail the expenditure of real resources. But this choice, the classical liberal will insist, should be left to the marketplace, and not imposed through the political means.

Walter Block
Senior Economist
Fraser Institute

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Dear Sir:

Since I am both a supply-sider *and* a monetarist, I feel singularly qualified to both defend and attack both bodies of thought. In fact, I argue that these theories, properly defined, are mutually essential components of an overall free market strategy. In today's world, the goal of such a strategy is to make markets more efficient. For the goal to be reached, three items must be addressed: 1) the overall level of government expenditure as a percentage of total output must be reduced. This is probably the most important objective since the level of expenditure represents the real level of resources that must be extracted, by hook or by crook, from the private sector; 2) the method of finance of government expenditures must be rationalized. A system of taxation must be developed that least distorts market signals; and 3) a monetary policy must be developed that guarantees a stable unit of exchange.

It is interesting to note that parallel developments in economic thought and policy have addressed each of these areas. The "public choice" folks, who represent neoclassical expenditure theory, have attempted to study the institutions that lead to super-optimal government spending. Supply-side economics, the *political* embodiment of neoclassical public finance theory, provides policy suggestions concerning tax neutrality. And monetarism is nothing more than the neoclassical theory of money. As such, we have three sides to the same coin—each with a different emphasis.

Tim Congdon, who apparently represents the monetarist view in this debate, did not present one typically monetarist thought in his entire paper. The concept that deficits must be eliminated at any cost has no more to do with monetarism, properly defined, than the demand for a return to some form of gold standard has to do with supply-side economics, properly defined. Nor would any self-respecting monetarist argue that deficits are, in and of themselves, inflationary. In fact, no empirical link can be found between inflation and deficits.

But Mr. Congdon *does* raise a good point when he states that total taxation (including hidden and visible taxes) must necessarily be equal to total expenditure. Hidden or implicit taxes include an inflation tax, debt financing, etc. Once again, the charge of supply-side economics is to construct as neutral a tax system as possible—one that least distorts the market-directed relative costs and rewards facing individuals. In the supply-side analysis, the effects of both explicit and implicit taxes must be considered.

When one looks back at pre-Economic Recovery Tax Act (ERTA) methods of finance, the most obvious tax bias was against income from capital. Thus ERTA has served to decrease the overall explicit marginal rate of tax on income from capital sources, which previously had been subjected to layer upon layer upon layer of taxation.

Of course this would be a futile gesture if, having replaced explicit taxes, the incidence of the implicit taxes fell back on capital. In Mr. Congdon's view, this is exactly what happened with ERTA; in fact he goes so far as to suggest that the deficit in question "neutralizes the impact on investment of lower visible taxation." He is assuming, apparently, that businesses are the only entities that borrow in this society. Last I heard, a nontrivial portion of consumption was funded by borrowing (I have direct personal, empirical data to substantiate this hypothesis), and thus it is logical to believe that exchanging direct capital levies for debt financing is a positive sum game—since the implicit tax would "crowd out" both consumption and investment, implying greater neutrality, while the explicit taxes resulted in an artificial anticapital bias. What ERTA does is change the relative

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costs and rewards facing individuals—specifically, present consumption becomes relatively more costly than investment. Thus, over the long haul, behavior will change in the direction of relatively more saving. If the neutrality effects are sufficiently strong, crowding out might be minimal or nil.

Thus, true supply-siders, with an eye to the long run and faced with an especially heinous and distortive tax code, argued that it was better to reform the tax system, to put in place a system that lessened the interference with market signals, even if some initial revenue loss was the result. It is far better to retire the inevitable debt by revenues raised under a more rational tax system in the future than to raise funds currently at the expense of needed and market-dictated capital accumulation. This rationalization of the tax system, this move toward greater neutrality, is a necessary component in the strategy to return to greater reliance on the market. A note of caution is in order: some efficiency can certainly be gained by simply reforming the tax system and removing the relative price distortions. If government spending as a percentage of GNP does not decrease, however, these gains might be quite small. If government grows to 40 percent of total output, a switch to the most neutral tax system will not save the economy.

Alan Reynolds, ostensibly presenting a "supply-side" attack on monetarism, has found some strange bedfellows. He conjures up echoes from the past—"velocity is highly unstable" (is there a liquidity trap?)—and comes dangerously close to attaching the "only money matters" label to monetarism. Such echoes, by the way, parrot exactly the protestations of post-war Keynesians. I will not spend a lot of time on such nonsense as the statement that since October 1979, "the Fed did most of what monetarists advised." Monetarism has been tried in this country to about the same extent as supply-side economics, which is to say, hardly at all. Nor do I think it is particularly useful to attack or defend monetarism's roots in today's context. What I will do is discuss modern monetarism in a modern world.

In the first instance, modern monetarists believe that the only purpose of monetary policy is to provide a stable unit of exchange. Far from not being able to determine whether changes in the money stock affect output or prices, monetarists are very specific. In the long run money is neutral and unwarranted increases in the money supply result only in inflation. Remember the old adage that inflation is caused by too many dollars chasing too few goods? That's the essence of modern monetarism.

To a monetarist money provides certain services to producers and consumers—the need to barter is minimized, allowing more time for other activities. The trick, then, is to provide sufficient money for an efficiently functioning market without producing inflation. As a first approximation, in a less than perfect world, this can be accomplished by a money rule—the money supply should increase at a constant rate of x percent per year, and x percent should be the rate of growth of the economy. But isn't this arbitrary? Not at all. We know certain things about the steady state properties of this economy, the rate at which real output grows over the long run. If the role of money in society is kept in mind, there ought to be a strong relationship between the rate at which the economy grows and the amount of money people wish to hold; and in fact such a relationship does exist. Thus, if the Central Bank could define money and then control it, we could come very close to meeting our goal of a stable unit of exchange.

These are two big ifs. What is money? It is often argued that financial innovation has rendered any definition of money obsolete. Can the Fed control money? Opponents of monetarism point to the Eurodollar market and the constant in-

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vention of near-moneys as evidence of the futility of attempting to control the money supply.

In the economics profession, there is a long-standing procedural tradition, which also exists in the pure sciences. First one develops a hypothesis, and then one must subject the hypothesis to empirical testing. In economic jargon, something might be theoretically possible, but one must measure the elasticities to see if the thing is important statistically. Theoretically the Eurodollar market may affect the Fed's ability to control the money supply, as might financial innovations, but are such factors empirically relevant?

So, when all else fails, when all the posturing and gesticulating are over, when all the straw men have been set up and knocked down, when all the free market consulting firms have successfully differentiated their products, as a last resort, serious economists ought to feel compelled to observe the data. The data tell a very interesting story. Once again, monetarism works only if 1) money can be defined and 2) money can be controlled. Consider the control question first. There is something called the monetary base, which is defined as liabilities against the Fed plus currency. Virtually all economists agree that the Fed exerts a great deal of control over the base. So what? It turns out that there is a very strong relationship between the base and the monetary aggregates, in particular, Ml. (Albert E. Burger, "The Relationship Between Monetary Base and Money: How Close?" *Review*, Federal Reserve Bank of St. Louis, October 1975; David Raboy and Michael Schuyler, "Monetarism and Supply Side Economics: Is There a Contradiction?" *Economic Report* No. 11, Institute for Research on the Economics of Taxation (IRET), Washington, D.C., June 1982.) Further, instability in Ml is caused by instability in the base. The data show that volatility in Ml can be controlled by dampening the gyrations in the bases. Thus, the Fed should target growth rates for the monetary base and ignore week to week fluctuations in Ml. In fact, this was a monetarist prescription a decade ago. (See Burger, *op. cit.*, as well as Leonall C. Anderson and Dennis S. Karnosky, "Some Considerations in the Use of Monetary Aggregates for the Implementation of Monetary Policy," *Review*, Federal Reserve Bank of St. Louis, September, 1977.)

But even if the Fed can control the monetary base or Ml, what does this mean for policy purposes? What is the relationship between the monetary base and important macroeconomic variables, specifically, inflation, nominal GNP, or market interest rates? The evidence back in the 1970s suggested that the base tracked very well with nominal GNP. (*Ibid.*) Recent evidence suggests that this link still exists. (William E. Cullison, "Money, the Monetary Base and Nominal GNP," *Economic Review*, Federal Reserve Bank of Richmond, May/June 1982.) Further, the relationship between the base and interest rates is very tight. (Raboy and Schuyler, *op. cit.*) Loose volatile movement in the monetary base has been associated with high interest rates, while slow growth in the base has resulted in low interest rates.

The data show that the two necessary conditions for successful monetarism have been satisfied. Observation of Fed activity yields two sources of monetary volatility—intentional (most likely abrupt changes in response to political pressures) and procedural. Both shortcomings can be corrected. As an aside, it is the volatility on the part of the Fed's policy that produces the short-run volatility in velocity that Reynolds is so concerned about. If Fed behavior were less erratic, so too would be the way in which people turn over money (on average the trend of velocity has been amazingly stable). Thus, monetarism provides a pragmatic ap-

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proach to the provision of a stable unit of exchange. If properly implemented, this country would be a lot closer to the goal of an efficiently functioning market system.

David Raboy
Executive Director
IRET

Tim Congdon replies:

The comments of Messrs. Block and Raboy on my article present a serious problem. As far as I can see, they say almost nothing whatever in criticism of its main point. It is therefore quite difficult to prepare a reply that is both courteous and worthwhile. Perhaps the solution is to be very brief.

Mr. Block is simply wrong when he implies that I am lukewarm about small government and low taxes. On the first page of my article, I stated that "the argument that lower public expenditure and less government regulation enable the private sector to operate more efficiently" should not be "controversial." There is also no basis at all in my article for his claim that I regard government expenditure reduction as "an inferior second-best policy." How can any such deduction be made from the relevant sentences? Finally, I would like it to be put on the record that, despite being a low-church monetarist, I am in favor of neither slavery nor masochism.

Mr. Raboy objects that the elimination of budget deficits has little to do with monetarism. I think that a year ago this depended on whether one's favorite monetarist guru lived in St. Louis (in which case Mr. Raboy would have been right) or in Minneapolis (in which case he would have been wrong). My guess is that education by events may have changed the position since then and that all monetarists, even the most high-church monetary base fanatics, now recognize that big budget deficits must sooner or later be financed by bank borrowing or printing. When they are financed in these ways, they become inflationary.

But there is one point on which I agree with Mr. Raboy. It is that the tax system should as far as possible be neutral, in the sense that the allocation choices associated with it should approximate those that would be found with no taxes. An important choice in a capitalist economy is between present and future consumption or, as it is sometimes termed, between consumption and investment. The Puritan ethic and economic nationalism are strong in America and cause there to be more enthusiasm in public debate for investment. I suspect that the thinking behind ERTA was that it was good because it would stimulate investment. If that was so, it was basically wrongheaded and distortionary. There is nothing inherently virtuous about future consumption or inherently wicked about present consumption. So I concur with Mr. Raboy's view that the tax system should be neutral, but I am not persuaded, as he seems to be, that ERTA brings America closer to that objective.

Alan Reynolds replies:

Milton Friedman recently observed, in the *Journal of Money Credit and Banking*, that the Fed's procedures of October 1979 were first proposed by Allan Meltzer. William Wolman at *Business Week* (June 15, 1981) even called it "hard-nosed monetarism." Maxwell Newton of *The New York Post* (October 6, 1982) writes

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that "thanks in largest part to the stunning success of monetarist policies... inflation in America has been defeated."

If all these monetarists would stop calling it monetarism, maybe we could redefine monetarism one more time. Yet the fact remains that monetarists (myself included) spent a decade urging the Fed to let interest rates move around without limit, so that they could focus exclusively on hitting some magic number for Ml. That is exactly what the Fed finally did after October 1979. Monetarism is not the latest fashion in technical methods for hitting M-targets; it is the targets themselves.

Mr. Raboy echoes the claim that the money supply is erratic and volatile, while velocity is "amazingly stable." Even on an annual basis, much less quarterly, that comparison is simply untrue. Over the past ten years, the annual coefficient of variation of velocity was .28, almost twice as volatile as that of Ml (.17).

Mr. Raboy cites a vintage 1975 article to suggest that the relationship of the base to Ml used to be "very strong" (under Bretton Woods). Why not confront *recent* reality, such as Table 1 in my article? From January to June of 1982, for another example, the base grew over *six times* as fast as Ml. If the base "tracked very well with nominal GNP," then the first half of 1982 must have been a boom.

Unless we adopt extremely generous definitions of "stability" of velocity or "very strong" links between Ml and base, Mr. Raboy's facts are illusions. Even if these weak links were solid, that would not be a *sufficient* condition to make monetarism practical. For one thing, no real supply-sider would ever treat the "steady state" rate of real growth as something known and given. Yet Mr. Raboy is correct that this mechanical treatment of human action *is* required to make nominal GNP a "first approximation" to price stability. In reality, it is neither possible nor adequate to fine tune nominal GNP by manipulating the base. And constant growth of nominal GNP logically requires variable rates of inflation unless real growth never changes.

Interest rates clearly affect the willingness to hold assets in the form of Ml, so stable interest rates would stabilize the demand for and supply of Ml. But stabilizing interest rates is anathema to monetarists, and neither stability of interest rates nor of Ml and velocity is a proper objective. If the growth rate of the base were even more inflexible than it already is, then every shift in the demand for cash or credit would be reflected in gyrating prices and interest rates. There is nothing else left to move. By contrast, if the value of money is fixed, with a price rule, then the supply of money must be free to vary with demand. Since interest rates are the present price of future dollars, stabilizing the value of the dollar in the present and future automatically removes the risk premia associated with both deflation (default) and inflation.

Mr. Raboy's supposed link between interest rates and monetary base is the same fanciful chart that I poked fun at on page 32 of my piece. According to his chart, today's short-term interest rates depend on four-week averages of monetary base over a one-year period. Is that *really* the "hypothesis" being tested, or is it a joke? Finding two sets of data that look like they go up and down together for a few quarters is not economics; it is astrology.

The base grew at a mere 2.6 percent rate from April to October of 1981, but this certainly did not "cause" low interest rates. On the contrary, extremely high discount and fed funds rates depressed Ml and therefore held down required and actual reserves. This is not a theological dispute in which one worries about who is parroting Keynesians. My complaint with using Ml as crude proxy for average

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prices is that it is a regulatory gimmick that *will not work*. The M that is chosen will *always* be wrong, causing either a liquidity crunch or inflation as the demand for money shifts.

A "stable unit of exchange" would not have industrial commodity prices falling by 30 percent from early 1980 to mid-1982. A supply-side perspective would not condone or rationalize a five-year decline in real per capita GNP. Before the fall of 1982, the Fed played a Phillips Curve game on the monetarists and budget balancers. The "extreme" supply-siders were the only ones who explained what was going on.

On the third anniversary of the October 6 massacre, financial markets celebrated the blatant discarding of MI targets. Even no known goals at all appeared safer than betting in the MI lottery. Besides, there was the Kemp-Lott price rule hanging over the Fed's desk.

I am in broad sympathy with Dr. Block's letter, with a few reservations. The Laffer Curve is hardly "a mainstay of the supply-side economists." It is simply an illustrative device, showing that taxation too is subject to diminishing returns. Any Laffer Curve applies to specific marginal tax rates, not to average tax revenues for the whole economy.

There is certainly no "implicit supply-side suggestion that fiscal policy ought to be dedicated to the maximization of revenues." Instead, the point is that taxes ought to be raised in ways that do the least possible damage to private production opportunities. A tax that raised $20 billion a year for the IRS but lowered private output by $100 billion a year is something that might appeal to Dave Stockman, but not to supply-siders. The huge tax increase of 1932 may have raised a few dollars, but at a horrible cost.

I am not philosophically opposed to abolishing the government's money monopoly, and in fact, said private money would work at the CMRE in 1975. In the meantime, however, what can we do to make the value of Federal Reserve notes more predictable? Can't we get rid of onerous reserve requirements, even though the monetarists want to regulate reserves? There is a very good chance of getting a *better* monetary system very soon. There is no chance at all of getting a *perfect* monetary system in time to keep free markets alive. The search for perfection may block progress.

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The Lost Civilization of Unesco

TOM BETHELL

Parisians don't pay much attention to the proceedings at the United Nations Educational, Scientific and Cultural Organization, which has been based in Paris since its beginnings in 1946. Perhaps they have grown used to it. Perhaps Unesco now has so many conferences and sessions all over the world that it has become difficult to keep track of what goes on at the U.N. body. But anyone is free to attend its deliberations. All you have to do is walk in the front door. And in September 1982, Unesco delegates were once again in session. The Executive Board was debating the Draft Medium Term Plan (1984–1989)—the future of Unesco, in other words. The plan is an immensely long, typically hard-to-read document, bound between red covers.

For those who cared enough to count, this was the 115th session of the Conseil Executif (Executive Board, but French is the preferred language at Unesco). In attendance, directing the proceedings in person, was His Excellency the Director General of Unesco, Amadou Mahtar M'Bow of Senegal, international statesman, world traveller, adept parliamentarian, widely published author (although most of his works, such as "Unesco and the Solidarity of Nations: Building the Future," have been published by Unesco itself), holder of honorary doctorates from universities too numerous to mention (Tashkent U. and the State University of Mongolia give the flavor), freeman of the city of Sofia (Bulgaria), and Grand Officer of the National Order of Merit (Mauritania).

The guards don't even check briefcases at Unesco's front door, let alone I.D.'s because (it is said) they are afraid of failing to recognize, thereby offending, the delegates from the 158 member countries, not to mention the 2,500-odd employees of the permanent Secretariat in Paris. So you can just walk in, and if you feel like it, before going to the conference hall downstairs you can go back into the jardin and admire the mobile de Calder—Alexander Calder, that is—or you can gaze upon the forty-four fluttering flags of the countries represented on the Executive Board. Here for your contemplation is the Stone of Peace, there a statue by Henry Moore ("Silhouette au Repos"), yonder a marvel of landscaping by Noguchi. The building with the fresco by Picasso is temporarily

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closed, but still there is culture aplenty, with works by Joan Miro, Jean Arp, and many more. As for the main, Y-shaped Secretariat building itself, it was designed by an international team of forward-looking architects and was considered immensely stylish and modern when it opened in 1958. Today, when it rains, it leaks in some spots, and employees working in the basement have been known to plod about disconsolately in Wellington boots, skirting puddles.

Some think that Unesco itself today is in a comparable state of disrepair. Having been swept into existence on a tidal wave of hope at the end of World War II, its constitution bravely affirmed the organization's dedication to the "unrestricted pursuit of objective truth," to "the free exchange of ideas and knowledge," and to "increase the means of communication"—all this in the service of "mutual understanding and a truer and more perfect knowledge of each others' lives." In 1948, Dr. Jaime Bodet, the second director general of Unesco said: "The United Nations are the body politic of a new world, and Unesco is its conscience."

Alas for good intentions, by the 1970s delegates from all nations were sitting around the Unesco table and talking about something called the New International Economic Order (the transfer of wealth from productive countries to nonproductive ones), the New World Cultural Order (in effect, a finding that the cultural influence of the United States has been destructive abroad, and ought to stay home), and a New World Information Order (proposals to legitimize state control of the press, to license journalists, afford them "protection," and establish codes of press conduct). By this time, also, Unesco was missing no opportunity, at its numerous gatherings and deliberations, to accuse Israel of various cultural, racial, and educational crimes.

An Extraordinary Euphemism

The New World Information Order was a particularly odd tangent for Unesco to take, in view of its constitutional endorsement of a free exchange of ideas. It appeared on the Unesco agenda in 1972, the result of a Soviet initiative calling for new principles "governing" the media, "with a View to Strengthening Peace and International Understanding and Combatting War Propaganda, Racialism and Apartheid." From there it was but a short step (to Algiers, where the next conference was held) to a call for "the reorganization of existing communication channels which are the legacy of the colonial past"; thence to Bogota (1974) where a "demand"

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for "better balance" in communications was heard; and onward to Tunis ("Emancipation of Communication in Non-Aligned Countries"—1976), and so on around the world, taking in Nairobi, Kenya; Baghdad (decolonization of information); Kampala, Uganda (where in 1977 was set up the Pan African News Agency, which "hasn't produced a dispatch yet," according to a critic in Paris). The conference-parade continued, with the next one held in Togo ("the new information order"), Havana ("struggle for a New World Information Order"), Torremolinos, Spain ("multinational monopolies"), Tashkent, U.S.S.R. (where the free flow of information was described as "a commercial concept serving the interests of transnational corporations"), and so on, up to Belgrade in 1980, by which time the Western press was beginning to catch on: there was this organization in Paris called Unesco—was that the one that had to do with children? No, that was UNICEF—that was a threat to the press. Hadn't heard of the First Amendment, apparently!

At that point Amadou Mahtar M'Bow, who became director general of Unesco in 1974, may well have begun to suspect that the New World Information Order had all been a big mistake. Here was this U.N. organization, which had been happily denouncing racism, imperialism, and multinationals and advocating more government control in numerous areas of life, and the press either took no notice or editorially supported their statist tendency. Then one day Unesco applied the same principle to the news media ... with approximately the same effect as that produced by poking a stick into a hornet's nest.

Newspapers which hadn't written an article about Unesco in a decade came out with indignant editorials, militant watchdog groups like the World Press Freedom Committee descended on Dr. M'Bow's doorstep and began to monitor every move the organization made, counter-conferences were organized—for instance one at Talloires, France, at which press freedom was declared to be a "basic human right"—and worst of all the United States, which forked over 25 percent of Unesco's assessed budget, to the tune of $50 million a year, threatened to stop paying its dues. Newspapers even began coming out with unprecedentedly hostile articles, such as one in Britain headlined "Just What Does Unesco *Do*?"

So Dr. M'Bow might have reflected, as the executive board delegates assembled in Paris in the fall of 1982, that his life would be easier without the press to worry about. But what could he do? The institutional make up of Unesco made any change difficult.

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The African, Arab, and Communist bloc countries easily had the votes (one country, one vote) to drive the New World Information Order forward. These countries had also supported Dr. M'Bow's elevation to the director generalship. Moreover, almost without exception, they had government-controlled presses and so were eager to legitimize this state of affairs by Unesco resolution. (According to a Freedom House survey, governments in three-quarters of the nations of the world have a significant or dominant voice in determining what is said in the news media.) Moreover, if the truth be told, Dr. M'Bow was personally very sympathetic to the charge that a few Western news agencies had inconspicuously managed to perpetuate colonialism, even though he must have known that attacking the press would imperil the organization he headed. Still, he seemed to be unable to resist taunting the press. At the end of a special Unesco conference in December 1982, Dr. M'Bow declared that he would order up a study of the news clips on the conference.

Born in Senegal in 1921, the son of a Moslem shepherd, Dr. M'Bow grew up speaking the Senegalese language Wolof, and only later learned to speak French. He learned his Marxism at the Sorbonne, and later on "organized a research group seeking to reconcile the quest for African cultural identity with Marx's principles and the anti-imperialist struggle," according to a flattering profile published in the monthly journal *Unesco Courier*. He became Minister of Education in Senegal, and in 1970, having failed to outmaneuver Leopold Senghor in his quest for the presidency of that country, was appointed assistant director general in charge of education at Unesco by the French director general, Rene Maheu. When Mr. Maheu retired in 1974, Dr. M'Bow had more than enough support from the African, Arab, and Communist blocs to win appointment as the first black director general.

Dr. M'Bow now lives with his Haitian wife in a large apartment on the fifth floor of the main Unesco building. This has disappointed some Unesco employees, who detect a whiff of corruption in the arrangement. He says that he lives there for "security" reasons. Within the Secretariat, he has surrounded himself both personally and bureaucratically with a mostly French-speaking, Third World Pretorian Guard, including antagonistic Algerians, hard-eyed Haitians, and Senegalese galore. The daughter of the king of Morocco, it is said, brings in goons with guns. For a while Dr. M'Bow availed himself of a Yugoslavian mini-Mafia, but they

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turned out to be unexpectedly independent-minded, and most of them left, or were eased out by Dr. M'Bow himself.

A Workers' Paradise

For the permanent, bureaucratic staff in Paris, Unesco is a nice little tax-free enclave, and most employees would like to keep it that way without too much political boat-rocking. They turn out their studies—booklets such as "Cultural Policy in Bulgaria"—which no one, really, is in any danger of reading, and they collect their post adjustment and their tax-free emoluments, they come in at nine and disappear at twelve for their two-hour lunches in the cozy cafes of the seventh arrondisement, so why should they complain, or talk too much to strangers about what goes on at Unesco? (At the P-5 level in the Unesco bureaucracy, a position, for example, occupied by a "senior English [or French] editor" who must "ensure that manuscripts for publication are in conformity with Unesco policy," the salary for someone with dependents is: $33,318, plus $19,126 post adjustment (living in Paris), plus $450 per child family allowance—all tax free.

Unesco employees have access to a commissary where they can buy many goods below market price, a cigarette allowance, ways of getting loans several points below the going interest rate, subsidized restaurants in the building, a video club, a sports club, six weeks of vacation at least, a free legal advisor who comes to the building twice a month, medical services, linguistic allowances, community services, someone to find them housing, time off for study, diplomatic plates (above a certain grade), an alcohol allowance, the opportunity to buy new cars without paying the tax, and so on. They are well protected against the outside world.

In short, Unesco employees don't want the Americans to pull up and leave with their money. One day a woman who works at Unesco heard others in the office discussing the old worry that the Americans were fed up and might leave in response to Third World churlishness, the attacks on Israel, the ever-more blatant repudiation of the Unesco constitution, in short the whole gaudy M'Bow Show by the Seine. She put the palms of her hands flat together in front of her face, raised her eyes demurely to the ceiling and said: "Let us say a little prayer." Upon reflection she added: "But I wouldn't blame them, actually, if they left."

Dr. M'Bow is in the position of a pinball machine player who has learned to shake and wrestle with the machine to improve his

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score, but must be very careful not to trigger the "tilt" mechanism—corresponding to U.S. departure. But now, here was Dr. M'Bow himself, approaching the Executive Board conference room door. He was dressed in ambassadorial pinstripes and surrounded by a confidential coterie. He gave a nose wrinkling little chuckle of delight when someone whispered in his ear. At the door he played diplomat, shaking hands here and grappling elbows there, then made his way to his place at the "12 o'clock" position in the circular arrangement of conference tables. He was quick-moving, alert, and shrewd looking.

Soon everyone was wearing headphones, with six channels for simultaneous translation. Behind the Executive Board delegates sat aides, whisperers, observers, and one or two press. Some of the African diplomats wore three-inch platform heels along with impeccable three-piece suits built in Bond Street. Some participants dozed off as Mr. Cabral from Guinea-Bissau gave a standard speech about the "flagrant imbalance" in the world. But everyone seemed to have heard it before. Dr. M'Bow remained alert, but other heads were slipping slowly down onto chests, then guiltily jerking up again. "... People thinking about nothing but second cars, second TVs, even second degrees ... abject colonization ... Mr. Chairman, I believe the time has come for mankind as a whole...." But the siesta progressed.

Some time later Dr. M'Bow himself took the microphone and read from a prepared text in fluent French, talking about the need for cooperation, the fight against racism, the forming of public opinion, the importance of evaluation activities, the implementation of the plan; then going on about future-oriented studies, about resource indications, and the need for a positive growth in resource indications (a bigger budget in other words) ... Was there a hint of softening in his tone toward some American suggestions, and a new sternness toward the Scandinavians? A tea break was announced.

Mrs. Jean Broward Shevlin Gerard, Vassar '59, the U.S. ambassador and permanent delegate to Unesco (she was an alternate delegate from New York to the 1980 Republican National Convention and an attorney with Cadwalader, Wickersham & Taft), approached Dr. M'Bow as everyone was getting up to leave. He saw her coming out of the corner of his eye and broke away from his little Third World huddle.

"Congratulations on your speech," said Jean Gerard graciously,

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shaking the director general's hand. He gave a little giggle of pleasure at this token of American contentment.

Mrs. Gerard, an attractive, intelligent, politically conservative lady, who had been at Unesco for nearly a year, was perhaps beginning to believe, as diplomats are wont, that the observance of diplomatic niceties can move political mountains. She had that day taken to lunch Mr. Thiam of Senegal, an important figure in these proceedings, and she thought now that Unesco would make some word changes in accordance with U.S. wishes.

A Tea Party

She made her way to the delegates lounge, where tea, biscuits, and seed-cake were served. She thought there had been some movement in Dr. M'Bow's speech, some concessions here and there—small perhaps, but a hopeful sign. Maybe the system worked after all, she mused, as she stood in the tea line. But Ron Koven, formerly the *Washington Posts's* foreign editor and now the World Press Freedom Committee's man on the spot, intimately knowledgeable about Unesco's every twist and turn, disagreed. He reminded Mrs. Gerard of the comments directed by Dr. M'Bow at Mrs. Sondergaard from Denmark, who had earlier "expressed her disappointment" with the draft Unesco plan, suggesting a revised and better focused agenda. In his reply (see box), Dr. M'Bow had gone out of his way several times to take issue with Mrs. Sondergaard by name. "Divide and rule," said Ron Koven, giving his own interpretation of the director general's strategy. Mrs. Gerard looked thoughtful at that.

When she first arrived at Unesco, Mrs. Gerard had found it all "far more political" than she had expected. Certainly this was no multinational cultural debating society. She also thought the organization was not responsive to U.S. ideals. As for U.S. threats to cut off its money, she thought that Dr. M'Bow resented them but believed that they would not be carried out. "Since 1974 we've done nothing but threaten," she said to an American standing nearby. "When we pulled out then, over Israel, we soon came back in again. I don't think we have been pushing the ideas that would be in our interests: the importance of profit and private ownership to successful development, for example."

"How many countries here are on your side?" the American asked.

"About sixteen," she replied. "I was just reading Moynihan's

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'The U.S. in Opposition,' and it's amazing how much his description of the ex-colonial Fabian socialist world, imbued with the idea that we owe them damages and that capitalism is oppressive, is still valid."

Another member of the U.S. delegation, who was sitting on a sofa nearby, explained to a listener the four items on the Unesco agenda that particularly concerned the U.S. The first, of course, was the continuing attempt to limit press freedom and to hold that "responsibilities" could legitimately be imputed to journalists and the press. The second was Unesco's continuing propensity to turn itself into an anti-Israel debating society—with Israel barred from the debates. The third was Unesco's ballooning budget. "We're just tired of the way other countries can vote dollars into their pockets," he said. And the fourth was a new notion of rights: the rights of "peoples" rather than individuals.

"Human rights propaganda used to be our weapon against the Soviets," he said. "Now they have figured out a way of subverting the idea so that they benefit from it." His point was that while individual rights impose constraints on government power, collective rights transfer additional power to the government. (In the U.S., of course, the concept of rights has also been extended to groups, in the form of affirmative action programs.)

The gentleman on the sofa, who wanted to remain anonymous, said he thought that "quite a number" of the Soviets working for the Unesco Secretariat were in fact working for the KGB, and all were answerable to the Soviet government in a way that international civil servants normally are not, indeed are forbidden to be. "I would dare say the same is true from all over Eastern Europe," he said. "Their bosses are their governments."

Should the U.S. leave Unesco? Some Unesco-watchers believe the best time to leave was in early 1981, when there was a new air of urgency as a result of Unesco's relentless march toward a New World Information Order. But now Dr. M'Bow had learned a lesson and would play the pinball machine more skillfully, not risking a "tilt." As for the budget, Jean Gerard herself said it would be difficult to walk out on this issue. "It would have to be on *how* the money is spent," she said. And the U.S. itself has legitimized the notion of "peoples' rights" with affirmative action.

"Let us just say that the U.S. position in Unesco is tenuous," the U.S. delegation-member said. But he added: "My own personal view is that it would be disadvantageous for us to leave.

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We'd have no influence in the organization. Do we really want to leave it to Mr. Smirnov here?''

He indicated a broad-shouldered man of about sixty, with receding grizzly hair, who was determinedly making his way between delegates holding tea cups, looking neither to his right nor left: Nikolai Smirnov, the man from Moscow, head of the Soviet delegation. Evidently the tea break was coming to an end. Mr. Smirnov was heading back to the conference room. Soon it would be his turn to speak.

Not far from the delegates' lounge—through a fire door and down a color-coded corridor—was a large loading dock where a little grey French camion, like a delivery van, was nosing in and around great mountains of Unesco documents, some crushing dockworkers' pallets under their weight, some keeling over and gathering dust, others with their packing burst asunder and spilling out underfoot. You could examine Unesco's output right there on the ground, and wonder if it would ever reach its destination, and who would read it if it did. Here was a packing case, its contents inscrutable, stamped ''Benin University Bookshop.'' Here were some mysterious documents bound for ''Palace Kultury, Waaszawa, Pologne.'' Here was something called ''Aux Sources du Future—version Espangnol.'' Strewn about on the ground were some orange-covered documents called ''Developpement Culturel, Experiences et Politiques.'' All alone, as though someone had just thrown it on the ground was a copy of ''Cultural Policy in the Democratic People's Republic of Korea,'' a booklet which praises Kim Il Sung on almost every page. (''Korean writers and artists, full of enthusiasm for the construction of socialism, go out to construction sites to encourage the workers in their productive efforts. . . .'') The little grey van nosed in and around all these piles of documents, as though trapped by them, but finally made good its escape into the Parisian traffic.

One's first impression, as one watched the van leave and threw the booklet on Korean culture back onto the ground, was that Unesco must be comparable to a runaway locomotive which jumped the tracks at some point years ago and has careened wildly off course ever since. But it turns out that the Unesco tracks, as originally laid down, never were very strong or securely fastened in place. And it is there that we must look, at Unesco's foundations, in order to find the cause of the agency's subsequent degeneration.

In order to understand the United Nations in general and

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Unesco in particular one must grasp the climate of opinion that prevailed among intellectuals at the end of World War II. There was a strong feeling that such a terrible war could not be allowed to happen again, and that intellectuals had a special responsibility, indeed a mission, to prevent such a recurrence.

Dabbling with the World

What was needed—the intellectuals had known this for some time—was world government: "a planet without passports, visas, tariffs or national armies," as *Newsweek* put it in 1946 (the magazines of the day were filled with such optimism). On such an ideal but not-yet-realized planet, the magazine continued (exposing the inner contradiction in its vision), "people would still be Russians, Americans, Japanese or Venezuelans, but at the same time responsible citizens of the world, subject to an enforced world law. A planet run, in short, by a Federal World Government...."

This may have sounded Utopian, but there were polls, eagerly cited, to show that Americans wanted to live in such a world. For example, 52 percent of Americans "favored American participation in a plan for all countries to liquidate their own separate armed forces." Even more striking, 63 percent "believed that the United Nations should go along with a plan to create a representative world Congress empowered to settle all problems between countries and to enforce its decisions whether the disputing parties liked it or not."

So strong was the consensus that wars must not be allowed to happen again that impractical men like Julian Huxley and Archibald MacLeish, who played important roles in the founding of Unesco, found themselves thrust to the fore and given important parts to play in the international political arena, when at almost any other time they would (quite rightly) have been left alone in their studies to dabble in biology and poetry.

Julian Huxley, the brother of Aldous and grandson of Charles Darwin's great champion Thomas Henry Huxley, has left as good a description as any of the origins of Unesco. During the war, Huxley recalled—he was speaking to students at the Sorbonne in 1948, and by this time he was Unesco's first director general—the British Minister of Education, R. A. Butler, met with the other allied education ministers "and a number of other interesting and important people" and they "studied the need for educational reconstruction after the war." Whereupon, they "pleaded" for an

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international education agency to take care of the problem of war-ravaged education.

Well, next came the big U.N. conference in San Francisco, the founding conference, which ran from April to June 1945, and there the plea of the educators was heard. "It was decided" at San Francisco to found such an educational organization, Huxley recalled, and everyone agreed that it should be headquartered in Paris. There, in the Palais Royal, the International Institute of Intellectual Cooperation had held its meetings before the war. Very high quality stuff, that had been, but in some ways limited in scope. Also, there had been some rather unfortunate talk of elitism and the exclusion of the little man. Unesco would be something far more grandiose—Huxley promised—nothing less than *peoples speaking to peoples*.

There would have to be another conference, obviously, this one in London in November 1945, to draw up the new organization's charter and settle all the planning details about worldwide education, culture, and so forth. It all really began on one floor of an apartment house in London's Grosvenor Square, Huxley recalled. All working happily together had been a Mexican woman who had specialized in primary education in remote areas, a young Dane who knew about Danish winter folk schools, a Czech who was planning for the arts—a great variety of people like that, all amassing information and drawing up proposals and getting on marvelously well together.

By that time Huxley, who was a chip off the old block, had made a big fuss about the exclusion of science from this busy hive of planning, and so it was included right away. He could not be denied there. Huxley put the S in Unesco, and everyone knew he was a world authority on *that* subject. Science would also be a big help in getting the Russians into the organization, it was felt, because they were a Scientific Society. Well, somehow, after that, Huxley just "took over," as he said. Mind you, he was more than just a mere zoologist by that time. He had broadened his field of inquiry to "planning work," and not just any old planning but international planning. Now here he was planning for international postwar reconstruction out of a flat in Grosvenor Square, and all in all, in retrospect, his efforts "bore considerable fruit," he thought.

So anyway then came the next big conference, in Paris this time, the first real Unesco conference, the first of thousands of Unesco conferences. At this first one, in 1946, such an astonish-

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ing variety of experts and planners and delegates were on hand: capitalists and communists rubbing shoulders, educational and financial administrators and a very charming lady from the Philippines who was wearing a local dress made out of pineapple natural fibre. And, of course, there were the poets and the writers, the journalists and the "pressmen," and people like J. B. Priestley and the American poet MacLeish, and so on. Such a great variety.

And you know what was wonderful? There was so much agreement among them. People from all around the world really could cooperate and agree if only they could be gathered together in a Paris Palais (and paid a nice *per diem*). Arm in arm they would then set forth into the world. No particular philosophy was needed, or indeed desirable. There was so much organizing to do that there was hardly time to argue about philosophy, if the truth be told. Besides, this was now the Atomic Age, which meant that there was quite a bit of urgency about getting on with the job.

Among the main problems they would address would be world illiteracy and nationalistic bias in school textbooks. The thing was to break down the watertight compartments of thought, break down barriers of that kind, but at the same time there would be a core of specialists to deal with the specialized problems. And they would be from all over the world. (To deal with worldwide, specialized problems.) There would be social scientists. And of course it went without saying that there would be the humanities and philosophy. Also, there would be "the ways of getting things across—libraries and museums, the printing press, film, radio and so on." Huxley was vague about details but supremely confident that he had the Big Picture right.

Oh yes, there would have to be a Secretariat, and there would be secretaries and typists and so forth, and salaries to be paid, but all that was administrative detail and beside the point: the long perspective was *humanity as a whole*, the unrestricted pursuit of objective truth (the experts would be in agreement there), and the whole enterprise would be served by some form of . . . humanism: a world humanism, a scientific humanism, embracing all aspects of human existence on a truly monistic, unitary evolutionary basis. And so it was that Unesco came to be. (How do you like it now, gentlemen?)

In retrospect we can see that the founding of Unesco (with little or no debate) was one of the most Utopian exercises ever to be dignified, and reified, with taxpayers' money. The British Prime Minister Clement Attlee, addressing the London conference in

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1945, had uttered the phrase which would be incorporated into the preamble to Unesco's constitution and so often repeated as its motto: "Since wars begin in the minds of men, it is in the minds of men that the defenses of peace must be reconstructed."

Getting to Know You

This could be done, it was accepted without discussion, by increasing communication and the "free flow of ideas." The peoples of the world disagree with one another, and then fight one another, because they know so little about one another—that was the unstated Unesco axiom at its birth. Therefore, ideas and knowledge should be allowed to flow back and forth between peoples everywhere, like curative intellectual balm. Of course, it was also accepted that not *all* ideas were acceptable. "Anti-social education," for example, would have to stop. Ditto the "intolerant" idea that one race was superior to another. Admittedly such ideas had mostly gone their self-destructive way in World War II. But there was still a lot of "bias" to worry about—demonstrated for example when authors consciously or unconsciously favored their own countries in what they wrote. The descriptions of the Battle of Waterloo in British and French textbooks were not recognizable descriptions of the same event, for example.

That aperçu, contributed by the British Minister of Education, Ellen Wilkinson, captured another axiom of the times, which in turn became a Unesco premise. There was a superior truth, a non-national, non-political, objective truth about world affairs, and intellectuals were uniquely adapted to perceive it. "We will simply seek the common denominator of truth," MacLeish had said. And since intellectuals were seeking only the common denominator of truth, they were in no danger of politicizing the new international body. They were above that whole debased business of politics. But as time would tell, that may have applied to Western intellectuals, who gained in stature and prestige among their peers by comparing unfavorably the achievements of their own countries to some loftier ideal, but it was not true of the intellectuals (or were they merely politicians?) who would arrive in due course from the new Third World countries and from the Soviet bloc. They, it turned out, would be just as willing to defend their own nations and to denigrate the West as the Western spokesmen themselves turned out to be.

So (it was thought in 1946) intellectuals from the world over would only have to gather around a table in comfortable Parisian

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surroundings in order to discern immediately the cures to educational and cultural ills. They would eschew bias and they would be above politics. They would, as a result, not be in any serious disagreement. Small differences would be hammered out by an "exchange of views." Was it not the fundamental Unesco axiom that when ideas and knowledge are exchanged through communication, differences of opinion disappear? It is a matter of everyday experience that this is not necessarily true, of course. "Exchanges of views" are as likely to be heated as not. But the urgency of the times had created this new international forum and had made it available to people (like Huxley) who had recommended themselves to politicians precisely because they seemed to be out of the ordinary. As a result, common sense was not as well represented in Unesco's constitution as it might have been.

In the U.S. press there was widespread euphoria that machinery had at last been created to resolve some of the world's most intractable problems. "Are you celebrating Unesco month?" inquired the *Journal of Home Economics*. "Become Unesco Conscious," admonished *Library Journal*, while *Publishers' Weekly* advocated a "Salute to Unesco." No less enthusiastic were *Newsweek*, ("Culture House") and, of course, *Saturday Review* ("Education Under the New Order"), which was just embarking on its thirty-year odyssey of wordy optimism on behalf of the United Nations and the ultimate hope of world government.

It was left to *Time* ("Ram or Windbag?") to take a sceptical, indeed prescient look: "If the optimists were right, Unesco might become a battering ram, capable of knocking down national barriers to international understanding. If the cynics were right, Unesco would be just another grandiose twentieth century balloon, with a big cheer at the ascension but in the end just a bag of wind." *Time* also reported the (carefully muted) controversy surrounding the appointment of Julian Huxley as the first director general. ("Some delegates had reservations about picking a man who had professed atheism, birth control, eugenic mating, state planning.")

Poor Huxley much later on seemed to become disillusioned with Unesco, adding his name to a statement of protest when Unesco attacked Israel in 1974. But he may have become disillusioned much earlier than that—after attending, in a spirit of ingenuous good cheer, a "World Congress of Intellectuals" at Wroclaw, Poland, in 1948. On his return to the Unesco HQ in Paris, Huxley jotted down an irritated memo.

He had hoped, he wrote, that the Congress "would be devoting

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itself on the non-governmental level to the ... tasks of international cooperation for peace in the fields of science and culture. ... I accordingly accepted the flattering invitation." And how did things turn out? "The Congress from the outset took a political turn. There was no real discussion, and the great majority of the speeches were either strictly Marxist analyses of current trends, or else polemical attacks on American or Western policy or culture. Purely political matters ... were frequently brought in."

Huxley sadly noted that he did not sign the final resolution, which omitted "all references to the many important causes of or predispositions to war, and places the blame for the present state of tension almost entirely on 'a handful of self-interested men in America and Europe, who have inherited fascist ideas of racial superiority and the denial of progress.'"

The Very Idea

The shocking thing was that this had been a congress of *intellectuals*. How could they behave in this way? Huxley did not know it at the time, but he had just seen the future of Unesco, and it wasn't going to work.

But in the 1940s there was an entirely different, apparently unrelated cloud on the horizon, and for some it spoiled the Unesco party even then. The Russians had refused to join. Everyone agreed that without them the chances of international cooperation were slim, and Unesco would never get off the ground. There was much handwringing and cajoling in the press. "Their absence somewhat dampens the enthusiasm," Benjamin Fine noted in the *New York Times*. "It can be hoped that the Russians will overcome their original reluctance," the paper added editorially. An empty seat was held anyway for the coy Soviets, just in case they should change their minds. Speeches were translated into the Russian, as an added attraction. It was hoped that Dr. Huxley's personal philosophy would lure the communists into Unesco House, by now established in the former Majestic Hotel in Paris. But, without a word of explanation, the Soviets stayed away for eight years. In that time other Communist bloc countries such as Hungary, Poland, and Czechoslovakia, early Unesco members, actually quit the organization, undoubtedly following Soviet instructions. They complained that it was a "U.S. tool."

The *New York Times* offered an explanation of its own, perhaps inadvertently illuminating the key issue. "One can see why the Russians hesitate," the paper explained. "They do not wish to

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expose their people to ideas they consider unorthodox. But even if they join Unesco, as it is hoped they will, no one will force this upon them. Unesco has no police powers and has asked for none."

In view of the extent to which Unesco (and other U.N. bodies) would later serve Soviet interests, it is extraordinary and instructive that it took them so long to join. As the *Times* had hinted, the Soviets were fearful because at first they really believed that all the rhetoric about Article 1 and Article 2, Constitutional declarations and "Rights and Obligations of Associate Members," all those "whereas" and "be it resolved" clauses might actually mean something. If so, by joining, they really risked suffering a loss of sovereignty: in short, they might have to abide by the charter clauses, opening Russia up to a free flow of ideas and so on. The comintern might unexpectedly find that by signing on it had subordinated itself to this strange supra-national body with the trappings of world government.

Reassuring Pretenses

It was all very well to say, as Unesco did and the press repeated, that there could be no internal interference by Unesco without the permission of the country involved, and that there were no police powers. The Soviets themselves pretended that they were governed by a Constitution, and that they were not a police state, and *they* knew how deceptive that was. So Unesco must have looked suspiciously like a trap for the unwary. If it really was true that Unesco couldn't interfere domestically without invitation, what authority to solve international problems could it possibly have? And if a country *did* invite Unesco in—e.g., to solve its illiteracy problems—what was to stop the country from using the same remedies unilaterally? If all the reassurances about Unesco were true, then it was a powerless body. In that case, why were the Western nations so eager for the Soviets to join? There had to be some deception, just as the Soviet Constitution itself was a deception.

Understandably, in retrospect, it took the Soviet Union a long time to figure out that there was no trap, and that it was out of sheer utopian fervor that Western participants were urging the Russians to join a body whose sole real potential was not to resolve conflicts between countries but to dramatize and exacerbate them. This, as it happened, was precisely the kind of forum which the Soviets were on the lookout for.

Curiously enough, there was an analogous confusion about Unesco among right wing groups in America. And it may well

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have been the resolution of the U.S. domestic controversy that in turn emboldened the Soviets to join the international body. Ever since the origins of the United Nations—and earlier, going back to the League of Nations—the Right had been suspicious of attempts to institute world government in any shape or form, on the grounds that international bodies would (presumably) be empowered to overrule national sovereignty. (If not, what would be the point of bringing them into being?) How could America turn out loyal Americans, the Right wondered, if our governing officials, having inadvisedly signed some crackpot treaty, suddenly found themselves subordinate to some larger authority partly (or wholly?) controlled by foreigners? So it was that Unesco came under suspicion, and fire, almost immediately.

It so happened that by the early 1950s Unesco material had found its way into the Los Angeles school system. Press accounts do not make it clear exactly what this was—it seems to have been little more than U.N. pamphlets describing Unesco's goals and ideals. One is surprised to learn that anything at all from this source had slipped past the vigilant gaze of the U.S. citizenry as then constituted. In response, the Los Angeles School Board early in 1953 adopted a resolution declaring that "there shall be no official or unofficial Unesco program in the Los Angeles city schools, and the Unesco chairmanships and central advisory committee shall be abolished."

Charges that Unesco was "communistic" and "subversive" were heard in various quarters. Senator John Bricker of Ohio offered an amendment to the Constitution, aimed at the U.N., and prohibiting the ratification of any treaty that would confer on foreign or international jurisdiction the power to adjudicate the rights of U.S. citizens. The amendment was not adopted, but the Daughters of the American Revolution kept the heat on by resolving that the D.A.R. should "work assiduously" to get all Unesco materials out of the schools.

There was so much criticism of Unesco that the American Jewish Committee came to its defense. The president of the A.J.C. argued that those who opposed Unesco "are the same elements in our national life who are tearing down the public school system and frustrating any attempt to promote sound intergroup relations." These were "vigilante elements," he added, "carrying on a general attack on any and all international cooperation."

Later in the 1950s, when the American Legion denounced Unesco and demanded that the U.S. withdraw from it, rabbis

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came to its defense, and the A.J.C. again rallied to Unesco's side, criticizing the "distortion and character assassination that impugns Unesco's motive." B'nai Brith urged "our fellow Americans to continue to uphold and sustain" Unesco.

A Commission to the Rescue

President Eisenhower then (in 1953) appointed a special commission to assess the various criticisms of Unesco. It found that people believed that Unesco "advocated world government," "sought to indoctrinate school children with a philosophy that was contrary to American ideals," and so on. And it found that all these charges were false. The *New York Times* thought that the commission's report "should do much to dispel this foolish accusation that Unesco means 'communism' or 'world government' or 'subversion.'"

The Soviet Union almost certainly followed this domestic contretemps with interest. If so, they must have concluded that Unesco was quite harmless after all. If Unesco could not so much as get a pamphlet into the Los Angeles school system—with President Eisenhower plainly supporting the organization and appointing a friendly commission of inquiry, and with former President Truman publicly expressing his irritation at the "anti-everything" groups who opposed "this international effort"—then clearly Unesco could do very little. If Eisenhower could not get Unesco *into* the U.S., then presumably Stalin would have little difficulty in keeping it *out* of the U.S.S.R. So why not join it, and influence it? There would be nothing to pay except for the dues (and the U.S. was already paying the lion's share of that—one-third, later reduced to one-fourth); the translators were waiting to translate one's speeches from the Russian, and the world's press was patiently sitting there, ready to transmit one's remarks to the four corners of the globe.

So six months later, in April 1954, the Soviets joined their first Unesco conference, at the Hague. Dr. Luther Evans, a former Librarian of Congress who by then was Unesco's director general (the only American to hold that post) expressed his "gratitude" to the Russians and welcomed them to "the Unesco family." Now he planned to visit Moscow, he said. And within the hour the Soviets commenced their highly sucessful twenty-year long march through the organization.

If it was true that Unesco had no supranational authority, then it was really nothing more than a meeting place for representa-

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tives of its component states. Unesco's constitution was in fact changed, also in 1954, to reflect this reality. Members of its Executive Board had originally been selected on the basis of their intellectual prestige in one or another cultural area, so that the board at first did remotely resemble the International Senate of elder cultural statesman that Huxley and the Unesco founders had dreamed of. After the change, they became straightforward political appointees from member states.

The Swedish economist Gunnar Myrdal has drawn attention to the "basic fictitious notion" underlying U.N. bodies that they are "something more than their component parts, something above the individual states." Richard Hoggart, the author of *The Uses of Literacy* and an assistant director general of Unesco in the early 1970s, reluctantly concurred with this judgment in his book on Unesco, *An Idea and Its Servants*. "I imagine Myrdal was using the idea of fiction in its low sense," wrote Mr. Hoggart, who on the whole had not lost his sense of idealism about the U.N. body after working there for five years. "It can also mean a pointing towards a difficult but worthwhile ideal." But the adherence to an impractical ideal by some can easily create practical opportunities for others.

Once the Soviets saw the true nature of Unesco, they lost no time in nudging and cajoling it in a new direction: that is, against the West. On the very day they showed up at the Hague they proposed that Communist China be seated instead of Nationalist China (Taiwan). The proposal was defeated, but it would keep coming up until one day it passed, in 1971. "A second Soviet proposal, that East Germany be invited to the conference, will be considered tomorrow," the *New York Times* reported in 1954. "Dr. Evans acknowledged that he could not explain why East Germany had not been invited. West Germany was invited and is attending."

The Meat of the Matter

A fiction more fundamental than the one Myrdal recognized is that the component nations of U.N. bodies bring their grievances to the conference table in order to resolve them. It would be closer to the truth to say that they do so in order to dramatize them. This is the thesis of a widely neglected book about the U.N., *A Dangerous Place*, by Abraham Yeselson and Anthony Gaglione, published in 1974. (Four years later Daniel Patrick Moynihan published a book about the U.N. with the same title, but without seeming to know about the earlier work.)

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Messrs. Yeselson and Gaglione demonstrated conclusively that the U.N. is an "arena for combat," and that in this arena "we are constant witnesses to a scene in which a defendant is dragged unwillingly before a judge whose jurisdiction is not acknowledged by the accused and whose verdicts cannot be enforced." In all cases, they added, local conflicts are exacerbated and globalized as more countries are induced to take sides. Moreover, when opposing nations want to resolve a conflict, they invariably remove it from the U.N.

The same was true of Unesco once the Soviet Union joined. The opportunity to use the body to heighten conflict with the West depended on an enlargement of non-Western voting blocs, and of course they were increasing every year with decolonization, and the Communist bloc soon expanded also. Hungary, Poland, and Czechoslovakia came back into the fold in 1954, and Rumania, Bulgaria, and Albania applied for membership the following year. The 42 member states in 1948 became 82 by 1958, 144 by 1978 (and 158 in 1982). New members each had one vote, the same as the United States, even though the 68 smallest countries each contribute a mere $59,748—less than the salary for the position held by Richard Hoggart. (The U.S. today pays approximately $50 million a year to Unesco.) So for small countries the cost of joining is low, their influence once there is proportionately great, and of course the attention level attracted by the body is relatively high. All these circumstances have made Unesco (and more generally the U.N.) an ideal forum for Third World and Soviet-bloc countries to team together, publicize, and globalize their disagreements with the West.

It is sometimes argued that Unesco was already "politicized" before the Soviets exerted their influence, but that we failed to notice this because the politicizing was in our favor. But in fact the kind of things Unesco was doing (and to a lesser extent still does) in its earlier years were, on the whole, sincere attempts to abide by the spirit of the charter. Programs to eradicate illiteracy were established. Bear in mind that this has always been the first item on the agenda of new *socialist* countries—ever since Lenin in a candid moment remarked that "the purpose of [the phrase] 'liquidate illiteracy' is only that every peasant should be able to read by himself, without help, our decrees, orders and proclamations. The aim is completely practical. No more."

War-devastated universities, libraries, and monuments were given a helping hand. International Geophysical Year was spon-

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sored. Arid zones were studied. An International Copyright Convention was established. Books were translated. An ambitious History of Mankind was launched—the one that was supposed to eradicate all that baneful national bias once and for all. (And of course *that* didn't really work out too well, but at least an attempt was made. The section on "Communications" in the twentieth-century volume includes the interesting observation—only six years before the first stirrings of the New World Information Order—that the "new media of communication gave power to new people—to the man in the village who could counter the authority of the headman with the authority of what he had heard over the air, or to the government or other agency which controlled the media and could use them as tools. It was natural that every revolutionary group after the 1920s should have made the radio station one of its first objectives.")

In addition, Nubian monuments were rescued from the rising waters of the Nile, Buddhist temples were restored, there was conservation in Khatmandhu, vocational instruction in Chad, sewing classes in West Pakistan, meteorological studies in Israel. No doubt an enormous amount of time and money was (and still is) wasted on endless conferences all over the world. No doubt the claims made in Unesco brochures for the foregoing projects were often exaggerated (in particular the literacy gains are almost certainly little more than optimistic numbers jotted down on forms by program evaluators).

The Lady in the Pineapple Dress

But still, at least it could be claimed that in the early decades the organization mostly tried to do what the founders had in mind. The more one studies the matter, in fact, the clearer it becomes that the then Western majority constantly bent over backwards to avoid any possible charge of ethnocentrism. The non-Western world in those days was perceived to be excitingly "multiracial" and "ethnic" and (worst of all) "colorful" (the lady in the pineapple dress). Embedded in the mentality of the Unesco founders was the attitude: we may have the experts and the technology, but at some deeper, more profound level, you have the spiritual awareness and the intuition, the Roots and the Cultural Values. We have more to learn from you than you from us, when all is said and done. Yes, we have the cranes and the know-how to lift heavy stones, but *you* have the temples that are worth saving.

And of course the more "we" took this attitude, the more we

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were accused of being smug, self-satisfied, and condescending. Perhaps most important, the Third World soon caught on to what really underlay this attitude of Let-Us-Polish-Up-Your-Buddhas (and foot the bill): weakness, self-doubt, uncertainty, loss of faith, loss of nerve. The Soviet Union noticed it, too. For some reason, they hadn't caught the disease.

By 1957 Dr. Luther Evans was still talking comfortably about education and "working for the long generations," while the *New York Times* thought it wonderful that there was this "international agency interested in education everywhere and not playing politics or trying to promote even a cultural sort of competition." Oddly, in the Year of the Sputnik, so soon after the invasion of Hungary, the DAR, the American Legion, and the various grassroots detectors of communistic subversion all seemed to fold up and disappear at once.

At the same time, speaking at a Unesco conference in India, Pandit Nehru pulled out his headmaster's cane and delivered a few whacks at the rich, guilty, but still unrepentant Westerners who were gathered dutifully before him in the conference room. He deplored "the collapse of conscience that we see around us"—and wanted to know when Sudan, Tunisia, Morocco, and Red China would be admitted to the Unesco Club. Unless the West shaped up and acknowledged its moral delinquency, there was a danger of its fine ideals being "shattered into nothingness," Nehru chastised.

The Soviets harshly attacked Unesco in 1958, actually *threatening* to withdraw (not promising as it would be seen today) with their small contribution because the organization had wandered so far from its goal, "which should be the fight for peace." (All those cultural odds and ends were beside the point, apparently.) By 1960 an Ethiopian had been chosen to preside over the Unesco conference, and the Soviets were reported to be "demanding" radical changes. Robert H. Thayer, the head of the U.S. delegation, said in a notable display of gullibility that he thought the Soviets really wanted to "undermine and destroy" Unesco, because it was "democratic" and "parliamentary." (The Soviet Union was not democratic and since it disapproved of parliaments, it was trying to undermine the one nearest at hand.) Mr. Thayer added hastily that he did not come to criticize Soviet representatives, but rather to "stretch out my hands to them, to draw them close to me in matters which do not divide us."

The Soviets churlishly responded with "a long list of complaints."

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The Unesco representatives in the Congo had "ignored" Patrice Lumumba, for example. Also, Unesco had a "unilateral and pro-Western orientation," evidenced by the tone of its publications and the nationalities of the Secretariat membership. The Soviets were rewarded with three major appointments to the Secretariat the following year. They immediately made "demands" for five more.

In response to a mild flare-up of anti-Unesco sentiment in the early 1960s, the U.S. National Commission for Unesco replied that "there is no evidence that the citizens of any one nation or bloc" influence Unesco, revealingly using as "evidence" *Soviet* criticism of Unesco "as not being responsive to their interests and demands." It must have greatly encouraged the Soviets to see their own carefully orchestrated expressions of indignation used by the U.S. Commission against American critics of Unesco. Vehement indignation paid off handsomely, evidently.

The Lull before the Storm

There was little news about Unesco in the next decade. The little that was reported in the U.S. press suggested an unstated consensus that the organization had not delivered on its original promise and was now likely to be little more than a source of embarrassment—something best ignored if at all possible. Liberals had more or less given up on world government by the 1960s, and conservatives had given up disparaging it. There had been a little flurry of interest when the new Unesco building opened its doors in 1958, and everyone paused briefly to admire the architecture of Marcel Breuer and Pier Nervi, the works by Picasso, Arp, Miro, Noguchi. There seemed to be a brief pretense that, although Unesco had not built peace in the minds of men, it was still awfully cultural—a sort of Paris-based, somewhat bureaucratized (but colorful and multiracial) variation on the Museum of Modern Art.

But that didn't last and by 1964 we were reading that "U.S. Loses Fight On Unesco Funds," the beginning of a long string of losses. The U.S. had tried to stop Paraguay from voting in Unesco because that country had not paid its dues. The vote on that proposal lost 54–12, and the U.S. also lost another vote to limit the size of Unesco's budget, of which it then paid 31 percent. So the U.S. could neither stop its own contribution from rising, nor prevent other countries from voting to increase that assessment, even when they didn't pay up themselves! No wonder the

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journalists and the intellectuals who had defended Unesco so stoutly were beginning to avert their gaze.

It was in 1965 that the organization began to implement an ideologically derived political agenda. The first target was Portugal. The Executive Board voted that year to suspend Portugal from all its conferences pending an investigation into "education" in Angola and Mozambique, both still Portuguese colonies. In 1966 Portugal was cut off from all Unesco aid and barred from the organization's main bodies. By a vote of 72–11, a resolution was passed "charging" Portugal (along with non-members South Africa and Rhodesia) with racial discrimination and colonialism. The U.S. abstained in this vote, and it was significant that there was no public outcry at all about this blatant use of Unesco as a political instrument. In the same year, the Soviets at the Unesco conference "condemned" the "barbaric war" in Vietnam and the "destruction of schools" there. This seemed "unnecessarily provocative" to the U.S. delegate, Charles Frankel.

So muted was the West's response to whatever new development occurred in Unesco (as in other U.N. bodies), and so easily could the Unesco general conference now override any U.S. attempt to halt the growth in the budget, that the Secretariat became emboldened and in 1974 the organization voted to exclude Israel from its European regional group, which in practice would have abolished Israel's influence within Unesco. This happened in the year that Amadou-Mahtar M'Bow became director general of Unesco (but anti-Israeli pressure had been building up before his election).

The organization also voted to give money to the PLO and to cut off funds to Israel. The excuse given was that Israeli archeological activity in Jerusalem had altered "historical features" of that city. A Unesco official who had observed much of the backstage maneuvering said that "the Arab and socialist-bloc countries did a full-time job" in collecting the votes (48–33) against Israel.

Western news media reacted with immediate alarm. The *New York Times* complained that "in the name of 'culture' the Arab-bloc and its obedient Communist and African allies have succeeded in politicizing the heretofore non-political Unesco." Since the politicizing had been going on for at least nine years, the sharp Western response came as something of a surprise to Unesco officials.

Live and Learn

In response to the action against Israel, protest ads appeared in the *New York Times* and elsewhere, signed by any number of

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leftists and hitherto utterly reliable supporters of Unesco: Simone de Beauvoir and Jean Paul Sartre, Eugene Ionesco and Paddy Chayevsky, Lillian Hellman, James Michener, William Styron, even I. F. Stone. Worst of all from Unesco's point of view, Julian Huxley, now aged eighty-seven, had also signed a protest in which "the undersigned," deploring "the spiritual abolition of Israel," henceforth "refuse to collaborate in this body."

In retaliation, Congress voted in 1975 to suspend America's contribution to Unesco, a highly effective response. At its next general conference, in Nairobi in 1976, Unesco promptly voted to restore Israel to full membership. The *New York Times* lost no time in urging Congress to "pay up the arrears in full." The paper worried that continued nonpayment of U.S. dues would only lead to "new and bitter confrontation inside Unesco"—as though the organization was by now anything other than an instrument of confrontation. It was at the 1976 conference in Nairobi that the New World Information Order began to emerge as a serious item on Unesco agenda.

By the early 1980s Unesco had an elaborate program in place, on paper, requiring 658 pages of description in its "Approved Programme and Budget for 1981-1983." But according to one longtime Unesco employee, who did not wish to be identified, many paper programs don't really exist in the field. The employee put it this way: "The programs are often funded for three or four years. At the end they are expected to be self-sustaining, but in fact they are not. Nothing works, no one can read the instructions, things break down and can't be repaired, copying machines and other equipment is either stolen or flogged off to the locals. And that's the end of the program."

Likewise a Unesco-watcher in Paris remarked that when Unesco funding ends, someone is probably driving about in a Mercedes Benz who wasn't before, and that's about the extent of it. But subsequent Unesco reports are likely to maintain the pretense that such programs are still in operation—that literacy rates are steadily improving, the natives are being duly inducted into the mysteries of endogenous development, and so on. Jonathan Fenby, a reporter for the *Economist* who conducted an investigation of Unesco on assignment for *The Times* (London) in 1981, concluded that any independent investigation of Unesco's effectiveness, or indeed existence, in the field, would be prohibitively expensive for a news organization, and such independent inquiries have never, in fact, been conducted.

On paper, by contrast, Unesco thrives—copiously. The docu-

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ments describing its programs resembled, by the early 1980s, the prospectus and syllabus of a semiliterate, left-wing university, with heavy emphasis on Third World and human rights studies, women's studies, development studies, all expressed in extraordinarily verbose language from which such giveaway words as "socialist" and "Marxist" have been rigorously excluded.

But however disguised its terminology and however indecipherable its syntax, the 1981–83 Programme and Budget is a socialist document, accusatory by implication, and intensely ideological on almost every page. It is saturated with the vocabulary of communist propaganda—"elimination of colonialism and neo-colonialism," the "struggle against aggression and racism," and so on. Nowhere does it criticize the evils of collectivism or the unprecedented oppression of subjects by governments that is everywhere a feature of communist rule.

We read on one page that a Unesco program is expected to help member states "make use of modelling techniques in national planning." That national planning is efficacious is a Unesco axiom; its potential for tyranny and disruption never mentioned. On many other pages "peace" and "disarmament" are closely linked, with no recognition that this is a highly controversial pairing. "Disarmament education" is now a Unesco staple. The section on the "status of women" is avowedly radical: "assistance will be given to women involved in movements for national liberation and in peace movements."

It is the same with the Draft Medium Term Plan, under debate by the Executive Board. Although it is a document of surpassing vagueness and generality, it is strongly socialist in sympathy and anti-Western in tone—a veiled blueprint for collectivist ideologues: that which is unequally distributed must be redistributed, imbalances must be balanced, asymmetries must be made symmetrical. Stereotypes must be replaced by positive images, ethnocentrism must give way to more diverse cultural identities. Third World grievances must be redressed, communication redirected, and the arms race halted so that global peace may replace global terror. It is a document that bears almost no relation to the woolly fantasies of world cooperation dreamed of by Julian Huxley and others in 1945, but undoubtedly does bear a strong resemblance to the deliberations of the World Congress of Intellectuals that so dismayed Huxley in 1948. It is also a document intensely pleasing to the Soviet Union, as the assembled delegates, observers and press would discover when the Executive Board reconvened after their tea break.

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Mr. Iba Der Thiam of Senegal started off by observing, sadly, that he was not a diplomat and so he would have "to call a spade a spade." Very frankly, he was upset at the reopening of fundamental questions which were thought to have been already decided—things like the new information, cultural and economic orders, the rights of peoples, and so on.

Mr. Cu-Huy-Can, from the Ministry of Culture and Information in Hanoi, was in substantial agreement with Mr. Thiam from Dakar. Reopening the New World Orders, whether they be informational or economic, would "represent impoverishment," he said. These matters had already been long ago settled and it was too late to change them. The discussion on the whole had been "positive," he allowed, but there should be "no new ideas," because they would take too long to hammer out. Mrs. Jean Gerard scribbled a hurried note.

Mr. Gleb Tsvetkov of the Ukranian Soviet Socialist Republic "sympathized" with Mr. Thiam and his working party, who had labored so hard to make this meeting constructive. "At this stage the Executive Board should not review" what had been decided, he said.

Mrs. Gerard from New York was recognized, and she stressed that she had "never acknowledged that there was such a thing as *the* New World Information Order." There was great tension and silence while she spoke. Was the Unesco pinball machine going to register "tilt"? No, she seemed content to make one or two fairly harmless semantic points, and she also made some diplomatic obeisances in the direction of Dr. M'Bow. The gathering heaved a collective sigh of relief.

An Example of Soviet Wit

Finally Mr. Smirnov from Moscow summed up. The Draft Medium Term Plan was a well-balanced document, he observed judiciously. Oh, he could introduce all kinds of amendments, and it would be in his interests to do so, "so that it would have not just a red cover but also a red content!" There was a polite round of laughter at this uneasy joke. But no, Mr. Smirnov continued, this was not a Moscow propaganda meeting, this was Unesco, the U.N. agency, and such an approach would of course be quite unseemly. So he would not offer any amendments.

"I would suggest that the document not be changed," Mr. Smirnov advised. "Especially on the rights of peoples—I agree with Mr. Thiam on that. I will not develop these ideas any further."

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Amadou-Mahtar M'Bow was following the proceedings with his usual unflagging attention. No thrust or sally, no parliamentary detail, escaped his notice. At the end of Mr. Smirnov's remarks a member of the Third World Praetorian Guard approached and whispered something into Dr. M'Bow's ear. Again he gave his little giggle.

He announced details of the reception for the visiting Soviet cosmonauts the next day, and almost as an afterthought, in the middle of his speech, he threw in: "The text will go to the General Conference as it stands...."

One of the first things a reporter looking into Unesco is bound to notice is the almost impenetrable language of the Secretariat. Unesco documents, even when they contain no technical terms, are often indecipherable or as nearly so as makes no difference. The idly curious are thereby discouraged. Consider the following reply by Dr. M'Bow, in the course of a three-hour speech to the Executive Board last fall. In this reply, he is actually discussing something quite interesting and important, namely, how is Unesco's agenda decided? But let us give the floor to Dr. M'Bow (who speaks in French, so maybe something was lost in translation):

> "With regard to the selection of priority fields of action, i.e. the selection of major programs, programs and subprograms, the process which should determine this choice is, as you know, the analysis of world problems and of Unesco's tasks, for these two analyses should, together, constitute the conceptual framework on which the proposed priorities are based and which justifies the proposed programs. This is in effect to say that neither the existence of certain programs currently under way—regardless of their intrinsic merit—nor any preconceived support for innovations as such could serve as a basis for the selection of priorities. The analysis of world problems thus possessed such importance in the eyes of the General Conference that it adopted, with what care you are well aware, precise directives which were to guide the conduct of that analysis, its concern being, and quite rightly so—to ensure that the Member States and the international intellectual community should participate in the process to the greatest possible extent. This approach was adopted by the General Conference because it felt that it was

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well calculated to establish the basis for the assignment of priorities and to provide guidance in the making of choices. Once the analysis of world problems and of Unesco's tasks was completed, the next step was to identify those fields of action which appeared to be consistent with the conclusions of the analyses."

Some Unesco-watchers might well regard this as one of Dr. M'Bow's more lucid passages. What he seems to be saying is that Unesco's "priorities" are determined by the General Conference. But this is a (biennial) meeting of all 158 member states, and so obviously as a practical matter the agenda must be determined beforehand by a smaller body. And in fact it is spelled out in Unesco's constitution that "The Executive Board shall prepare the agenda for the General Conference." Thus Dr. M'Bow's convoluted address could be construed as a roundabout way of telling the Executive Board that the Secretariat (i.e. Dr. M'Bow himself, in practice) intended to continue setting Unesco's agenda without benefit of unsolicited advice—in this case from Mrs. Sondergaard of Denmark. Obviously, it is best if such ruses are not set forth in plain language.

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Over There

Turkey: Ally Under Siege

Turkey passed the second anniversary of military rule on September 12, 1982. A new constitution was drawn up, submitted to a national referendum on November 7, and adopted by an overwhelming majority. Government officials expect a general election and civilian rule by the spring of 1984. The time has come to recognize not only the achievement of General Evren and his fellow officers, but also the danger with which they were, and are, confronted. For the danger is also ours.

Turkey is the only Middle Eastern state apart from Israel to retain a commitment to parliamentary democracy, and the only Islamic nation to show itself in every particular a friend and ally of the Western bloc—going so far as to send troops to South Korea, and to vote for Israel's membership of the United Nations (thus alienating most of her immediate neighbors). Since Atatürk's extraordinary success in creating a nation-state from the ruins of the Ottoman Empire, Turkey has modelled itself, both socially and politically, on the West. Parliamentary institutions, secular government, European law, an independent judiciary, and, most recently, a free economy, have been consciously adopted as embodying values to which the Turkish nation aspires, and which no other developing nation has yet been able to realize.

This commitment to the West (for which the West has always shown itself ungrateful) carries enormous risks. Turkey is the only member of NATO, apart from Norway, to share a border with the Soviet Union. Most strategists consider that Turkey lies directly in the path of Soviet expansion. Demands for Finlandization were made by Lenin and repeated forcefully by Stalin; they were resisted with great courage after the last war. The Kremlin has other reasons for being interested in Turkey. Turkish is the second most widely spoken language in the Soviet Union, which has the largest Turkish-speaking population of any modern state. The Kremlin has viewed with alarm the influence that Turkey, through the growing freedom and prosperity of its citizens, might exert. The Soviet empire can survive only if its subjects are kept in ignorance of the world beyond it. The conquest of the Slavic

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nations has created an effective language barrier between the northern territories and their immediate neighbors; after Afghanistan, only Turkey needs to be added in order to bring all Turkish speakers under communist control, so adding to the pan-Slavic empire in the north, a pan-Turkish empire along its southern border.

Of course, the Soviet Union has never threatened to invade Turkey. The hope has been that invasion would not be necessary. By bringing about the internal collapse of the country, it would be possible to erect a Marxist government; in due course Turkey might be separated from its allies, and the Soviet army would be "invited" in as protector of the nascent revolution. It might also be possible to separate Turkey from the West, say by fomenting new troubles in Cyprus, or by creating a diplomatic crisis, such as must inevitably ensue if no Turkish diplomat can travel to the West without being exposed to murder by Armenian terrorists. When considering this second possibility, it is necessary to reflect on the likely destiny of an "Independent Armenia" bordering on the "Soviet Armenia," which Lenin created. Possibly the Armenians who were trained in the PLO camps in Lebanon (and who now seem to be founding similar camps in Greek Cyprus) were not Soviet agents. But it is hard to see how any of the existing Turkish Armenians—let alone the Californian and Canadian Armenians who have leapt so delightedly onto this excuse for political sentiment—could benefit from the creation of an independent Armenia in a place from which most Armenians have long since departed, and on the borders of an expansionist state which officially despises all ethnic and religious sentiment, while in reality fearing it. The Western attachment to "Christendom" fosters the idea of the "barbarous Turk," and this in turn lends support to the mythopoeia of Armenian exiles. But this attachment is as foolish and sentimental as the Byronic Hellenism, which leads us to think that Cyprus is *essentially* a Greek territory, and that the Turks who have lived there for centuries *must* be to blame for a conflict in which many of them died horribly for no other reason than their disposition to speak Turkish.

On the Brink of Anarchy

When the generals took over the government of Turkey on September 12, 1980, the country was in a state of near anarchy. Over twenty-five people were dying each day at the hands of terrorists. Broadcasts from the Soviet Union and East Germany, playing on

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the separatist feelings of Armenians and Kurds and on the feelings of the Shi'ite minority, were urging the people to revolt. Guns and munitions from the Soviet bloc and Syria were entering the country at such a rate that, after martial law was declared, over a quarter of a million guns were surrendered in the first two months. For months prior to the takeover, there had been no effective government, and the democratic process was at a standstill. Votes in the assembly were shamelessly bought and sold, while personal ambition and antagonism took precedence over the national interest. Ideological divisions paralyzed every state institution, including the police force. University students and school children were pressured into leftist "protest demonstrations," and those that would not comply were either beaten or shot. Parents lived in constant fear that their children would not return from school, while all officeholders of any importance were regarded as legitimate targets of intimidation and assault. A mayor of a Black Sea township, after having himself elected at gunpoint, declared a "liberated zone" under communist government. Using Bulent Ecevit's left-leaning Republican People's Party as a front, extremists gained control of many important municipalities, including Ankara, where the parks were renamed in honor of terrorists, and local businesses were threatened with closure if they did not subscribe to revolutionary organizations named by the council. Fanatics of the right were also active, and the notorious "Grey Wolves" pursued their campaign of assassination with equal ruthlessness. The terms "left" and "right" should not be taken too seriously: both sets of terrorists received their training through the PLO or similar organizations, and it was a "Grey Wolf," Ali Ağca, who was subsequently trained in Bulgaria, as the evidence now suggests, for the attempted assassination of Pope John Paul II.

General Evren took control only after repeated efforts to persuade the two main parties, the Republican People's Party under Mr. Ecevit and the conservative Justice Party under Suleyman Demirel, to form an effective coalition. Their efforts were hindered by many factors, not the least being the character of Mr. Ecevit, the darling of many European social democrats, a self-dramatizing demagogue, and an articulate defender of the human rights of terrorists, or at least of left-wing terrorists. After the generals had taken control, the daily quota of assassinations fell overnight from twenty-eight to two, and within a few days the streets were safe, businesses were functioning, and life was normal. The whole nation breathed a sigh of relief—the whole nation,

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that is, apart from those who had hoped to profit from its collapse. The principal losers were the Marxist parties; having polled only 5 percent of the vote in the previous general election, they could expect to control the country only by first destroying it.

Atatürk made the Turkish army into a symbol of enlightened patriotism, and it has remained so. The officer corps forms a significant part of the Turkish intelligentsia. It is recruited by open competition from every class of society and receives a thorough and liberal university education at the Ankara Military Academy, which consciously furthers Atatürkist principles of secular and democratic government. Conscription ensures that the ethos of the army impinges upon every family. There is really no doubt that the average Turk welcomed the military takeover as an expression of the national unity—lying above and beyond politics—for which he craved. General Evren was chief of staff, and his colleagues of comparable rank. The government has removed the atmosphere of terror and corruption and has begun to initiate long-needed reforms, of which the new constitution is the major symbol. Besides reaffirming the principles of secular government laid down by Atatürk, the constitution aims to strengthen the executive arm of government and to create a form of democratic representation more nearly suited to the conditions of Turkey than that created by the old, and, as it turned out, ineffective, constitution of 1961. Bicameral government is abolished, the presidential powers increased, and trade unions compelled to seek arbitration before any strike. At the same time individual rights are elaborately specified and protected by clauses that guarantee (as in previous constitutions) the existence and operation of an independent judiciary.

Opposition to the new constitution has come, in the main, from those powers that had exploited previous constitutional loopholes in order to claim, as a "right," the activities that had brought the country to the brink of civil war. It remains to be seen whether the new provisions will be more effective in reconciling the many and varied requirements of "democracy," with the tensions experienced in every "developing" nation. But the generals were aware, in any case, that politics alone would not solve Turkey's problems; it was necessary to achieve economic stability, and to encourage the development of a free economy. Measures first introduced by Mr. Demirel's government in January 1980 were finally implemented, involving the liberalization of interest rates, the encouragement of exports, and the reallocation of resources to

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industrial projects. Inflation, which stood at 130 percent in March 1980, had fallen to 40 percent by March 1981, and fell further to 30 percent by May 1982. This fall in inflation was realized remarkably, together with an increase in the rate of growth of the GNP, from a negative 1.1 percent in 1980, to a positive 4.3 percent in 1981. For the first time in many years, businessmen feel confident that Turkey is on the road to economic recovery, and that there is better reason to invest at home than to hoard in Switzerland.

Popular Support for the Government

The generals have been cautious in their public pronouncements and have made few promises, but those that they have made they have also tended to fulfill. People have come to see them as symbols of truth in a country made wretched by lies and manipulation, and most Turks share General Evren's opinion that the country's near collapse was not the result of economic weakness only, but also, and more especially, of willed subversion. After speaking to many Turks in all walks of life over the summer, I feel confident that there are few modern political leaders who enjoy such wholehearted support as General Evren. Why, then, should his government have been subjected to a sustained campaign of vilification in the West? This campaign is received by most Turks as an insult to their pride and as an act of near treason to an alliance that they have done much to sustain. As one Izmir businessman expressed it:

> We are a loyal ally, a member of NATO, an associate member of the EEC. We sincerely believe in Western democracy and its values. We consciously join with the West in all its concerns and commitments. We have set about solving our problems in the only way that remains to us, and we should never have accepted the present regime if we did not believe that it truly intends to restore the conditions of democratic rule. Yet when we turn to the West for help and encouragement, we find only abuse. We ask ourselves, are the Western countries sincerely our allies and our friends? And if not, do they have a clear perception of their interests?

One problem, of course, is that the generals have had to exert emergency powers, including restrictions on reporting and a measure of censorship. This naturally leads to a bias against their rule among Western journalists, since everyone is of the firm con-

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viction that those rights most necessary for his own livelihood are also most fundamental to the well-being of mankind. However, as one Istanbul journalist, by no means a conservative, declared: "I value the freedom of the press and look forward to an end to the present restrictions. But what freedom did I have before they were imposed, when everything I wrote was followed by a threat of assassination, and when I had to be guarded day and night by frightened policemen, not knowing which eighteen-year-old boy was about to riddle me with bullets, or for which of my opinions?" The point applies, of course, to all political freedoms and was made in similar terms by a student from Ankara. "What is academic freedom," he asked, "when the so-called Revolutionary Council of students orders you at gunpoint not to attend lectures, not to laugh or sing, to sit all day in the refectory discussing Marxism, to attend and initiate protests? When that happens, the purposes of academic freedom have been thwarted, and you must start again."

But there is a deeper cause, I believe, for the hostility shown toward General Evren's government by the armchair humanitarians of the West. The left-liberal consensus in intellectual circles has suffered much in recent years from the perception that "actually existing socialism" is brutal, unpopular, and maintained by force. It has been necessary to hang on to the belief that this state of affairs is somewhat accidental or transitory. True socialism will always be humane; what we see are merely perversions of socialism, brought about by power falling into the wrong hands, and against the people's will. To sustain this view it has been necessary to search the world for right-wing dictatorships, in order to show that the evil lies precisely in dictatorship, and is compounded when the dictatorship is inspired by that "conservative" or "reactionary" ideology against which the "struggle" must be waged. Thus, through all vicissitudes, socialist doctrine can be made to retain its moral purity.

The fact is that Turkey has had a succession of conservative dictatorships. All of them have been established in emergencies, in order to re-create the conditions for constitutional government. These dictatorships have, on the whole, been popular. They have all succeeded, both in achieving order *and in renouncing power*. The case contrasts so radically with the universal experience of socialist "revolution" that it causes embarrassment. According to *bienpensant* ideology, such a state of affairs is not merely unlikely: it is *impossible*. It simply *must* be the case that the generals are "fascists"

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or "tyrants" or men lusting for power. In order to uphold their crumbling convictions, therefore, leftist thinkers try to paint the generals in the blackest colors, to exaggerate their every failing, to read violence into all their acts. In seeing the generals so, such ideologues express (and not for the first time) their indifference to truth and their lofty contempt for the real feelings of the "people" whom they pretend to serve.

Roger Scruton

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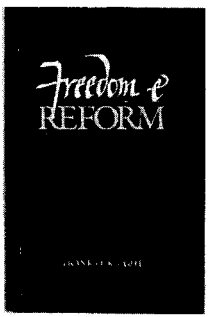

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TV News: The Shock Horror Welfare Cut Show

FRED BARNES

It starts with some background material from the network anchorwoman in the studio. "On July 4, 1776, there were about a half-million blacks in America, one-fifth of the population," she says. "Almost all of them were slaves...black Americans had no reason to celebrate that first Fourth of July. It would be years before they received their inalienable rights of life and liberty. Now there are twenty-five million blacks in America, and many of them are brooding about the third part of that promise, the pursuit of happiness, wondering if 205 years after the Declaration of Independence they're ever going to catch up."

There then follows a correspondent's report from Cleveland. "They celebrated the Fourth of July in some parts of Cleveland more than in others," she says. "That's normal. Black people in America's big cities don't make a big deal of Independence Day. And anyway, the blacks we met on Cleveland's east side this week didn't feel much like celebrating." Then, President Reagan pops on the screen, vowing that he "will not retreat on the nation's commitment to equal treatment of all citizens."

But, the correspondent insists, blacks in Cleveland were not mollified by this assurance:

> What worried the black poor in Cleveland was not what the president was saying, but what he'd been doing....The talk of the projects was all about the president's cutbacks in social spending, the lifeline of so many black poor. Four out of ten black Americans live below the poverty level. They live with the help of aid to dependent children and Medicaid and food stamps and public service jobs programs—precisely those kinds of programs the Reagan administration plans to cut back or cut out...so you'll understand if there were some folks in America who couldn't quite get into the spirit of the glorious Fourth. There are still a lot of black people who don't understand what the whites are celebrating.

For breathtaking simplicity of analysis, it is hard to top this piece, broadcast on the CBS news show "Sunday Morning" on July 5,

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1981. Two centuries after the Declaration of Independence, it suggested, poor blacks are being denied "equal treatment" and their "inalienable rights" by President Reagan's zeal in paring social spending. Aid to Families with Dependent Children (AFDC), food stamps, Medicaid, and public service jobs are the "lifeline" for "so many" who live "below the poverty level"; hence, the programs are good. The president would deprive impoverished blacks of some or all of the benefits of these programs; the cuts are, therefore, bad. And so it is no wonder that Cleveland's blacks have scant reason to celebrate joyously on the Fourth of July.

TV and the Real World

The trouble with this TV story—and it was a riveting piece of television journalism—was that it bore little resemblance to the real world of budget cuts. For all the furor and anguish in Congress over paring social spending for 1982 by $35 billion, the cuts were hardly apocalyptic. "There was a lot less there than met the eye," confessed budget director David A. Stockman in one of his chats with journalist William Greider. One reason was the cuts were often not cuts *per se*; rather, they were cuts from the "baseline" level of spending for a program. In other words, the program got less than was projected if it had been allowed normal growth. Spending for food stamps, for example, was ostensibly cut from $12.3 billion to $11.3 billion; actually, the cut was from $11.4 billion in 1981 to $11.3 billion in 1982. Another reason why the cuts did not represent a sweeping retrenchment is that they sometimes were little more than a shift of money inside a program. In program after program, the near-poor lost benefits, while the truly poor were fully protected, even against inflation.

The budget cuts brought about a halt in the growth of spending on programs for the near-poor and poor. They were achieved largely by trimming around the edges. Requirements were tightened and rules were made more stringent. Except for public service jobs, no major program was eliminated. Assessing the changes in federal spending, Professor Samuel H. Beer of Boston College wrote in a nationwide study by the Princeton Urban and Regional Research Center[1] that "the pattern of policy toward which the Reagan administration is tending is to be found in the pause under

1. John William Ellwood ed., "Reductions in U.S. Domestic Spending" (New Brunswick, N.J.: Transaction Books, 1982).

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Eisenhower that separated the two great periods of liberal advance." The analysts who conducted the Princeton study concluded:

> . . . the cuts constitute an important change in direction, coming at the end of a long period of growth in domestic spending and activism in domestic affairs on the part of the federal government. They do not, however, constitute a deep penetration into the 1982 base of federal spending for domestic purposes.
>
> This conclusion is somewhat at variance with the popular view. We think this is because there is a strong tendency for public officials to overstate the size of the cuts. This tendency is not hard to explain. Conservatives tend to exaggerate the fiscal year 1982 budget cuts because they supported them and want to take credit for them. Liberals also tend to exaggerate the size of the cuts, but for different reasons. They want to create public concern about their impact and build up political support for resisting further cuts.

Using what he called "cold statistical facts," Professor Melville Ulmer of the University of Maryland gauged the budget cuts a different way. When all social spending for welfare, health, and income maintenance, including Social Security, is considered, "federal outlays . . . have continued steadily upward—from $248 billion in fiscal year 1980 to $291 billion in 1982."

In the case of AFDC, the basic federally supported welfare program, the Reagan reductions barred payments only to those whose household income exceeds 150 percent of the "state standard of need." If that standard is low, as in Texas and Mississippi, food stamp payments are automatically higher. For those living on AFDC alone, the average payment reduction as determined in an Urban Institute study would be a meager 2 percent.[2] Eligibility for food stamps was tightened, but only those with a gross income above $11,000 a year in 1982 (since boosted by inflation to $12,090)—or 130 percent of the official poverty level of $8,500 (now $9,300)—were denied benefits entirely under the Reagan changes. Medicaid eligibility is set by states. But, according to the Urban Institute study "overall states' eligibility cuts have not been drastic" in the wake of reduced federal financing. Public service jobs? The scandal-ridden jobs program under the Comprehensive Employment and

2. John L. Palmer and Isabel V. Sawhill eds., "The Reagan Experiment: An Examination of Economic and Social Policies under the Reagan Administration" (Washington, D.C.: The Urban Institute Press, 1982).

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Training Act (CETA) was eliminated in the Reagan cuts, prompting few laments in Congress at the time. But for those who could not find replacement work, AFDC, unemployment compensation, and food stamps remained to cushion the blow. In any case, only the public service jobs part of CETA was scrapped; its $4 billion worth of youth and job training programs were kept in 1982. And the General Accounting Office found that 45 percent of those whose public employment was eliminated found private jobs.

The report from Cleveland's black community, never a hotbed of support for Mr. Reagan, was unbalanced, unfair, and uninformed. But it was not unusual. The budget cuts affecting the poor and the near-poor represent an extraordinary shift in social policy and involve billions of dollars, but even so, television coverage of the cuts has routinely managed to exaggerate their impact. "Hunger in America is back," Bill Moyers declared solemnly in his CBS special on April 21, 1982, about the cuts. "You'll find senior citizens out in the street," an interviewee asserted on the "NBC Nightly News" on September 30, 1981, the evening before the budget cuts for 1982 took effect. Food stamp cuts "are putting people into a 1981 version of the bread line," said Charles Kuralt on the "CBS Morning News" on November 11, 1981. "Reagan has taken everything away from us," insisted a man interviewed in a food line outside the Chicago Uptown Ministry in a report on the "CBS Evening News" on November 17, 1981. True, newspaper and magazine accounts have often indulged in similar exaggerations. But print reporting has lacked the dramatic immediacy of television spots about the victims of the Reagan reductions. Besides, a lot more people have learned of the supposed effects of the cuts in social spending from television than from newspapers or magazines.

The Lure of the Exotic

TV coverage of the cuts, particularly that of CBS, has regularly emphasized the exotic, the unrepresentative, and the emotional. To some extent, this is standard press procedure; reporters cover airplane crashes, which are rare, not airplane landings, which are commonplace. "If I were a city editor, even a right-wing city editor, I'd send a reporter out to find someone who was hurt," said Edwin L. Dale, Jr., assistant director for public affairs of the Office of Management and Budget. "It's absolutely normal coverage. There's no way to avoid it." But there is a way to balance it. Reports on the alleged victims of cuts in social spending can be put in

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perspective and thus desensationalized. Mention can be made of what remains of a program after a cut, such as the 22 million people still drawing food stamps after some 850,000 were dropped in 1981. And there can be reporting of precise changes in programs, rather than sweeping generalizations about them, in order to avert hyperbole. The network news shows, with the exception of a few ABC pieces, have done little of this. Worse, the generalizations disseminated on television often did not come close to giving an accurate rendering of the broad outlines of the budget cuts.

Oddly, in an era of skepticism about official pronouncements and government officials, television coverage has betrayed an innocence and a naivete about both in connection with cuts in social programs. The statements of bureaucrats with a vested interest in an endangered program have regularly been taken at face value. And the claimed worthiness of programs has almost never been challenged in TV reports. The CETA jobs program, the most scandal-ridden program of the Carter presidency, has been treated as an unqualified success, its elimination as virtually an unmitigated disaster for the poor.

Consider the Appalachian Regional Commission (ARC), which Reagan sought unsuccessfully to jettison. It is, arguably at least, a wasteful bureaucracy that has played a minimal role in whatever economic revival has taken place in Appalachia since the mid-1960s. Yet, an entirely unskeptical impression was conveyed on the "CBS Evening News" by correspondent Joan Snyder in a breathless report on July 12, 1981. It was established in 1965, she said,

> to attract industry, create jobs, improve the quality of life. A top priority was building highways to penetrate the isolation of Appalachia, which had been bypassed in the age of the automobile because roads are so expensive to build in the mountains. So far, about half of the planned 3,000-mile highway system has been completed, at a cost of more than $2 billion. More billions from the ARC and other federal agencies have gone for hospitals and clinics, low-rent public housing, aid to education, child development programs, and a network of vocational training schools to give Appalachia's young people the skills to find jobs. A major program has been construction of water and sewer lines, missing in many parts of Appalachia, their absence a barrier to attracting new industry. The government programs and a resurgence of the coal industry during the energy crisis of the seventies have transformed much of eastern Kentucky.

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Miss Snyder failed to mention that only the ARC's nonhighway functions were to be abolished. Indeed, she gave the clear impression that its highway functions would be dismantled. After some fleeting criticism of the ARC from Republican Senator Alan Simpson of Wyoming, the spot concluded with pro-ARC words from a Kentucky bureaucrat: "It's not true that we'll get along without ARC just as well."

The Case of Food Stamps

But the ARC is hardly a front-line social program. More important—and vastly more expensive—are food stamps, AFDC, CETA, child day-care, school lunches, and Medicaid. They form the core of the network of federal programs for assisting the poor, and they have experienced spectacular growth in recent years. Partly because of inflation, the food stamp program doubled in cost, from $5.5 billion to more than $11 billion, between 1977 and 1981—a fact rarely cited in TV spots about families who lost their access to the food coupons because of the Reagan cuts. To stop the growth of these programs, both spending cuts and eligibility changes affecting them were approved in the Omnibus Reconciliation Act of 1981. But in each case, programs were trimmed far less harshly than television reports indicated.

No cut in social spending has been more vigorously covered than that in food stamps. And no cut has been less accurately portrayed. "The wind that's been blowing across Capitol Hill this autumn has been a budget-cutting wind," said Charles Osgood in a piece on the "CBS Evening News" on October 2, 1981. "And it's been blowing strong enough to uproot some government programs—CETA is gone—and tear the roof off some other ones—food stamps, for example." Well, not quite. The program, begun as a pilot project in 1963, mushroomed in the 1970s. In 1971, it dispensed $1.5 billion in food stamps among 9.4 million people. In 1981, it distributed $11.4 billion worth of coupons to 22.4 million people. Even with 875,000 people declared ineligible, the program still cost $11.3 billion in 1982. The food stamp appropriation is expected to decline more steeply in 1983, when the recession passes and the temporarily unemployed find jobs and become ineligible. One measure of how marginally the Reagan cut affected food stamps in 1982 is the comparison of monthly averages. In July 1981, an average benefit of $40.83 (per person, not per household) went to 20.4 million people. In July 1982, the average was $38.68 spread among 20.2 million people.

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The most significant change in the program was the limit on eligibility to families whose gross income did not exceed 130 percent of the poverty level—$11,000 for a family of four. This replaced a ceiling which excluded a considerable amount of income. "Because of the exemptions and deductions, a household with an income substantially above the poverty level may (under the old guidelines) still meet the eligibility guidelines for food stamps," concluded a study by the Princeton Urban and Regional Research Center. That is something of an understatement, since some families with incomes of more than $14,000 received food stamps. The new $11,000 limit did not apply to all recipients; the elderly (25 percent of food stamp households have one or more elderly persons) and the disabled (8 percent) were exempted. And once the $11,000 threshold is met, deductions *are* allowed in calculating the level of benefits. Instead of deducting 20 percent of earned income, however, the new rules dropped the write-off to 18 percent. Moreover, the standard deduction was frozen at $85 and the deduction for child care and "excess shelter" was locked at $115. "The people who will be hardest hit by these reductions are the working poor," the Princeton study said. "It has been estimated that nearly every recipient of food stamps will be affected (but) because the cuts are broadly based, the effect on any particular group is minimized." It was a significant paring of the food stamp program, but not a draconian one.

The Draconian Version

Television, however, made it appear draconian. The "CBS Eveing News" showcased the plight of Irene O'Brien of Arlington, Virginia, on February 13, 1981, five days before the Reagan budget cuts were formally announced and only twenty-four days after the Reagan inauguration. "She lives alone in a one-bedroom apartment," said correspondent Susan Spencer. "Her total income from Social Security and a county housing allowance is $400 a month, including $54 in food stamps. After paying rent and utilities, O'Brien is left with about a hundred dollars a month to live on. But if her eligibility were figured on her gross income, she would be above the poverty line, no food stamps at all." The problem with this tale of potential woe is that eligibility for food stamps is not linked to the poverty line, but to 130 percent of the poverty level. And with an income of $400 a month, Mrs. O'Brien was *below* the adjusted earnings level and thus qualified for food stamps. Miss Spencer did not touch on another factor that tended to make

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Mrs. O'Brien's case *sui generis*. The seventy-five-year-old woman was involved in a legal fight with food stamp authorities over whether her housing allowance from Arlington County had to be counted as income. They said yes, she said no, and the matter rested in federal court at the time of the CBS broadcast.

CBS also found a food stamp official who explained the eligibility standards incorrectly. "If a person is eligible for food stamps, if they qualify, they're at or below the poverty level," said Anne Johnson, identified on the "CBS Evening News" on February 5, 1981, as an assistant food stamp director in New York. "And with inflation the way it is, I can't see how these people can manage without them." Again she neglected to mention the 130 percent of the poverty figure, $11,000. On November 17, 1981, the "CBS Evening News" followed up with a report on people who indeed were not managing. "Under prodding from President Reagan, Congress cut more than $1.6 billion from the federal food stamp program earlier this year," said Dan Rather. "Further cuts are likely. The program's figures are the stuff of legislation, worked out in debate and compromise. But the results ... already are evident on the streets of the nation." At this point, correspondent Bill Kurtis took over. "8:30 a.m. at the Chicago Uptown Ministry," he said. "The line for free food is getting longer. Some are here for the first time since recent food stamp cuts. Like Martha Itudes." Without any query about her income or assets, Mr. Kurtis turned to Miss Itudes. "I only get $19 a month in food stamps, and I can't make ends meet," she said. "So, I'm desperate so I had to come and get something or go hungry."

In Georgia, NBC found a woman who had lost her food stamp allotment, but correspondent Bonnie Erbe failed to cite the income level—more than $11,000 in the woman's case—which made her ineligible. Doubtless the story was all the more poignant without that. "Carol Brockam works two jobs to support four children," Miss Erbe said on the "NBC Nightly News" on September 29, 1981. "She is losing her $59 monthly food stamp allotment. She, too, earns too much money under new federal regulations." Then, Mrs. Brockam added, "I was very angry, and then I discussed it. I am being penalized because I'm out trying, and out working." Miss Erbe: "The Reagan administration says the states should help to pick up what the federal government is leaving off. But many states, including Georgia, have money troubles of their own, and can't afford to pay for welfare and food stamps." The piece ended with a sum-up from another woman. "No, I don't

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think that these people will be okay. Some will be able to manage, but there will be others that will not be able to manage. Currently, the outlook is very bleak."

ABC was not to be outdone on food stamps. On the network's popular "Nightline" news show on February 9, 1981, correspondent Mike Von Fremd said: "Proposed cuts of greatest concern to the low income groups—food stamps. The 1982 Carter budget calls for a $12 billion program. [Budget Director David] Stockman would cut $2.6 billion by reducing benefits and cancelling planned increases. The number of people receiving food stamps would be reduced by 2 to 3 million from the 22 million people now eligible." Yet again, there was no mention of the $11,000 ceiling for a family of four and no comparison of the proposed cuts to the 1981 expenditure. That, of course, would have made the cut look smaller.

On August 27, 1981, ABC presented its own deprived recipient on "World News Tonight." Among the million losing food stamps, said correspondent Charles Gibson, "will be Hunter Pitts. He earned $11,700 last year driving a truck in Maryland. Half his $700 monthly take home pay goes to rent a modest apartment. The family's been getting $62 a month in food stamps. No more. The Reagan budget imposes limits on family income to get food stamps, and the Pitts are now over that limit." That they are narrowly over it was not reported. "My husband works hard," said Mrs. Pitts, "and I feel that there are people out there that don't work as hard and have been receiving social services and what not that they shouldn't have been." Mr. Gibson: "In addition to the one million cut off food stamps, 22 million face reduced benefits, but what do these people do?" Mrs. Pitts has an answer. "Eat a lot of chicken," she advised. "I guess just about everybody says that. You eat a lot of chicken." Hunter Pitts: "The reality in all of this is that the bulk of these cuts haven't even begun to take effect." But both the Pitts and Mr. Gibson neglected to consider another reality, namely that what the Pitts may need is not food stamps but a tax cut. Assuming the numbers on the ABC report are correct, the Pitts had a take-home pay of $8,400 a year ($700 a month), meaning that they paid $3,300 in taxes. That's a tax rate of nearly one-third, a painfully high bracket for a low-income family.

Aid to Families with Dependent Children

Next to food stamps, television's greatest concern was working mothers who collect AFDC. And clearly they were the category of

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recipients most severely affected by the cuts. AFDC is, of course, the nation's most enduring welfare program. It was inaugurated in the Social Security Act of 1935 and has been growing rapidly ever since, with most of the funds earmarked for children in single-parent households. The Reagan changes with the most impact were a national cutoff level for AFDC eligibility at 150 percent of each state's "standard of need" and the elimination of the "thirty and a third" rule. Though the federal government pays 54 percent of benefits, states administer the program, and they set widely varying poverty levels. As a result, the maximum AFDC benefit in July 1981 for a family of three was $96 a month in Mississippi and $571 in Alaska. To compensate for measly AFDC checks, Mississippi recipients got far heftier food stamp payments. According to the Princeton study cited above, before the Reagan changes, "in some states employed AFDC recipients could earn more than twice the state need standard before losing eligibility." This resulted in large part because potential recipients were permitted, in determining AFDC eligibility, to deduct $30 of monthly income, plus 33 percent of their remaining earnings—the "thirty and a third" rule. The new criteria abolished this rule after four months of employment, counted food stamps as income, limited assets besides a house and car to $1,000, included a part of a stepparent's earnings as countable income, and set a ceiling on deductible work expenses at $75 monthly and child care (per child) at $160.

The most publicized fear in the AFDC program was that employed mothers, women who might be "working their way off welfare," would be penalized to the extent that they would find it more profitable to quit their jobs and go back on welfare full-time. The "thirty and a third" had been established in 1967 as a prod to welfare mothers who wanted to work, allowing them to continue receiving some of their AFDC benefits so long as their salary did not grow excessive. With this rule in place, recipients in fifteen states could earn $12,000 to $15,000 annually without being dropped from the AFDC rolls. In Vermont, the state with the highest "standard of need," they could earn up to $19,000. But studies found that this rule had not acted as a financial incentive. The idea that AFDC payments to the working poor lured them off welfare turned out to be a myth. In 1967, 38 percent of those who left AFDC said it was because they got a job; in 1979, the figure had sunk to 10 percent.

The flip side of the notion that continued payments serve as an incentive to draw recipients off welfare is the idea that elimination of those benefits acts as a disincentive. Preliminary evidence gath-

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ered by the Department of Health and Human Services (HHS) in informal discussions with state officials suggests otherwise. Robert Pear reported in *The New York Times* on October 25, 1982, that "people removed from the welfare rolls because of Reagan administration policies have generally stayed off welfare, despite many predictions that they would return." The "recidivism rate" for persons returning to the welfare rolls has remained the same, about 10 percent. The rate in New Jersey between October 1, 1981, when the new AFDC rules took effect, and June 1, 1982, was exactly 10 percent. In New Mexico, it was less than 2 percent. In Vermont and in Los Angeles County, 10 percent. In Illinois, 9.4 percent. In Nebraska, officials reported that "nothing here suggests that cases closed due to earned income have come back on welfare in any noticeable number in the last six months." In Michigan, an economist for the state Department of Social Services said there was "no increase in the rate of [welfare] reopenings."

But, by playing up what turned out to be unrepresentative cases, television gave an entirely different impression. In a piece billed by anchorman John Chancellor as a "report on the probable impact of some of those [budget] cuts," the "NBC Nightly News" interviewed a Georgia AFDC recipient named Joanne Thomas. "Nationally, 1 million people will lose Aid to Families with Dependent children, or welfare ...," said Bonnie Erbe. "Joanne Thomas supports three children on a salary as a county worker of $862 a month, plus a family welfare allowance of $180. She will lose that payment in October, because under new federal regulations, she makes too much." Mrs. Thomas raised the possibility of quitting. "I cannot cut $180 out of our budget," she said. "It's not there to cut. I can go total welfare and make more money."

But it was Bill Moyers who brought national attention to the phenomenon of a job dropout induced by the new AFDC rules. On "CBS Reports" entitled "People Like Us" on April 21, 1982, he told the story of Frances Dorta. Mr. Moyers dealt with Mrs. Dorta and three other cases of alleged victims of Reagan budget cuts. The Department of Health and Human Services released detailed responses to three of the cases, effectively undercutting Mr. Moyers's contention that three recipients of federal support were victims of Reagan stinginess. In short, Mr. Moyers muffed three out of the four. The Dorta case was slightly more complicated. Her husband "abandoned her and their three children seven years ago," Mr. Moyers said.

> She went on welfare until last August when she took a low-paying job. Although she was working, she was still eligible

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for some help from the government, including Medicaid coverage for her children. But on October first, she was cut off both welfare and Medicaid (losing her AFDC eligibility automatically barred her from Medicaid). Now she has no money for the operation her son Gabriel needs.

Her case was similar to many, he indicated: "Before the administration's cuts went into effect, a New Jersey family of four earned about $175 a month more than the average welfare family. After the cuts went into effect October first, the working poor family made just $18 more a month. Next year, in New Jersey, it will not pay for people like Mrs. Dorta to work. The working poor will have $4 LESS per month than the average welfare family."

After several interviews with Mrs. Dorta, Mr. Moyers concluded:

The new welfare rules finally forced Frances Dorta to choose between her job and her son's health. She made the choice almost any mother would make. Last January, she quit her job to go back on welfare. She now receives a basic grant of $414 a month, food stamps worth $169, and all the important Medicaid benefits. Gabriel Dorta's operation on April 14 was successful.

Mr. Moyers's point was twofold: that the ballyhooed "safety net" did not protect Mrs. Dorta and that the new rules drove her to welfare. In response, HHS notes it was New Jersey's responsibility, not the federal government's, to raise the threshold of eligibility so that Mrs. Dorta could have received full Medicaid benefits for her son while continuing to work. At least twenty-one states have done this since the budget cuts were enacted, HHS said. Moreover, states are allowed to establish a "medically needy" category to give low-income but non-AFDC families Medicaid eligibility. This has been done by thirty-three states, but not New Jersey. Even so, HHS pointed out that Mrs. Dorta *was* protected by the safety net. "She did receive the Medicaid assistance for her son's operation that she needed." Furthermore, HHS noted "that the vast majority of families whose eligibility for AFDC was terminated by the ... changes are not leaving jobs to return to AFDC rolls." And, these preliminary indications have since been confirmed in state after state. The new rules, despite Mr. Moyers, are not driving people onto welfare.

A Breathtaking Array of Waste

While the cuts in food stamps and AFDC were criticized during budget debates in Congress, there was little protest of the abolition of

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the CETA public jobs program. It had been marbled with waste and corruption, from the hiring of ballet dancers in Maryland to the use of funds for "Happy Hour Training" at two restaurants in Washington, D.C. As James Bovard points out in "Busy Doing Nothing: The Story of Government Job Creation" elsewhere in this issue, CETA forked over money for a breathtaking array of wasteful projects: $30,000 to build an artificial rock, $640,000 for education about homosexual lifestyles, money to pay for two-thirds of the city employees in East St. Louis, Illinois, funds to pay college students to practice for a track meet. Nor were these isolated and unrepresentative cases such as might appear in the network news. In understated fashion, the General Accounting Office concluded in 1981 "that federal funds held by CETA grantees are vulnerable to fraud, waste, and abuse because essential management and internal controls are either lacking or are inadequate." Yet television reports neglected CETA's sullied past in recording its passing. Correspondent Roger O'Neil on the "NBC Nightly News" on February 13, 1982 reported an entire day-care center was shut down in Shawneetown, Illinois, because one CETA-paid worker was dropped. The story went like this:

> *Mr. O'Neil*: For 9 years, the Shawneetown day-care center took care of up to 30 children of working parents in this small southern Illinois town. It's a poor area, where the minimum wage is the prevailing wage, and where almost one out of four is unemployed. The day-care center operated in the basement of a church, its $45,000 budget made up of mostly federal and some state dollars. Reaganomics hasn't worked here, and neither has volunteerism. The day-care center is closed. There were six full-time employees at the center, feeding children two hot meals a day. CETA money paid the salary of one of them. Carmen Felker says the decision to close was made when the Reagan administration stopped funding the Comprehensive Employment and Training Act.
>
> *Miss Felker*: We just couldn't make it. It was a constant struggle, and when we lost the CETA funding, we decided to close it.
>
> *Mr. O'Neil*: The town couldn't afford to take up the slack, and local businessmen didn't volunteer to try to help keep the center open. So instead of one job eliminated, there were six, and for parents like Frederica Garnett, her two children come to work with her now. There was no other place as cheap as the day-care center.

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Mrs. Garnett: I did find a couple of people, but it would cost me for six days a week, $200 a month, and I just couldn't afford that.

Mr. O'Neil: When the one CETA job at the day-care center was eliminated, the government saved $134 a week. But five people went on unemployment, and that's costing the government at least $354 a week. There were 350,000 CETA jobs cut. Before the recession started, 45 percent of the workers had not found jobs.

Surely, the inexplicable ripple effect in Shawneetown from CETA's demise—Mr. O'Neil didn't come close to explaining why the other five employees couldn't have run the center without the CETA worker—was the exception, not the rule. Actually, there was a reason why the center shut down with the withdrawal of the CETA money. State regulations were the culprit. "The thing was barely making ends meet," said Eunice Seely, a member of the center's board of directors. "With the state requirement for a certain number of employees per child, we would have had to have kept all five (non-CETA workers). We didn't have enough to pay all five." Mr. O'Neil, of course, did not explore the possibility that overregulation, not a budget cut, might have caused the shutdown.

Day Care, School Lunches, and Medicaid

Given the aggressive victimology in covering cuts in food stamps, AFDC, and CETA, it was not surprising that television reporters found flaws in Mr. Reagan's reductions in spending for day care, school lunches, and Medicaid. The federal subsidy for care of the children of low-income workers was thrown into a social services block grant to the states, which represented a funding cut of 25 percent for the combined programs in the grant and gave states the flexibility to spread the money among the programs as they saw fit. Because of the newly allowed discretion at the state level, officials at the Department of Health and Human Services have been unable to gauge the impact of the spending cut on day care. Yet, TV correspondents were not afflicted by any uncertainty. "Low-income parents who work will lose free day-care service for their children," said correspondent Ike Seamens on the "NBC Nightly News" on September 30, 1981. That was a considerable exaggeration. Reporter Jane Wallace claimed that 150,000 children got cut out and the consequences were: burning homes. "In Grand Rapids, Michigan, Linda Shumpert saw her house go up in smoke two weeks after her day-care subsidy did," Miss Wallace reported

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on the "CBS Evening News" on February 1, 1982. "Her six and eight-year-olds were alone while she worked at a factory. They found the matches; the second floor was gone. The kids were shaken, but managed to escape. According to a Detroit study, one in every six home fires involves unattended children." Miss Wallace used a clever bit of hype here. Is she trying to leave the impression that one-sixth of all home fires involve children who are left in their houses because of cutbacks in spending for subsidized day care? Perhaps not, but some might get that impression from her report.

For the school lunch program, the cut amounted to $400 million, from $3.3 billion in 1981 to $2.9 billion in 1982. Participation shrank from 26.8 million children to 23.6 million, and the number of schools in the program fell from 93,982 in 1981 to 91,233 in 1982. All this resulted from a reduction in the large subsidies for free and reduced price lunches for low-income students and the smaller subsidy for other pupils, a drop in the eligibility levels for free and reduced price lunches, and the elimination of the lunch program in nonprofit schools charging tuition of more than $1500 a year. The number of students getting free lunches (for which the eligibility ceiling was set at 130 percent of poverty level) dropped the least, from 10.8 million to 9.9 million. Pupils getting reduced price lunches (eligibility ceiling: 185 percent) sank from 2 million to 1.7 million, and those of any income level getting partially subsidized lunches decreased from 14 million to 12 million.

Richard Threlkeld of ABC went to Nashville and learned that its "schools lost $1 million in federal school lunch money." The schools had "to raise the price of a hot lunch to $1.10, too high for some families," he said on "World News Tonight" on April 9, 1982. What he failed to mention was that eligible poor kids still got free lunches and that the near-poor kids received lunch at a discount. "Nationwide, almost one million lower income children have dropped out of school lunch programs since last year," Mr. Threlkeld said, but he failed to notice that the children who were no longer entitled to free or reduced-price lunches came from families that had incomes above 185 percent of the poverty level. To describe them simply as "lower-income children" is disingenuousness of a high order.

Finally, there is Medicaid, the medical program for the poor with the most explosive growth. Cuts here were marginal, mainly achieved through lowering the federal matching payments and granting states more leeway in trimming Medicaid costs of their

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own. Indigent and "medically needy" (but not poor) patients were newly required to pay $1 to $2 for hospital treatment. Even these small payments were a hardship for the family of Louis Bailey, 77, of Atlanta, according to Irving R. Levine of NBC. "His regular treatments in an Atlanta hospital are free," Mr. Levine said on the "NBC Nightly News" on February 8, 1982. "But under the Reagan budget he'd have to pay $1 for each visit, $2 a day if he's hospitalized. It would save the government $369 million a year. But it will be a hardship for the Bailey family."

Occasionally, a report on a budget cut seems willfully misleading. This was true of a CBS piece about the Wildcat job training program in New York City, a program made famous by Ken Auletta in his book *The Underclass*. Mr. Auletta praises the program, but he concedes that it clearly benefited very few of its participants. Only one peep of skepticism was sounded in the report by Marlene Sanders on the "CBS Evening News" on August 7, 1982, the day the unemployment rate reached 9.8 percent. "Wildcat is paid with city and state funds, foundation grants and some contributions from business and industry," she said. "Federal funds were cut off at the end of 1981. Ten of the twenty-one nationwide programs like Wildcat have now shut down for lack of funds. Even though only a third of the students across the country succeeded in completing the program and finding unsubsidized jobs, it's considered a success compared to other projects designed to help the hardcore unemployed." An evaluation found Wildcat, which provides training and then guaranteed jobs for the hard-core jobless, wanting in several respects. "When the very expensive, very thorough evaluation of it was finished, it found that Wildcat produced no evidence of impact among 3 of the 4 groups included in its enrollees—delinquent youth, adult ex-offenders and drug addicts," wrote Charles A. Murray of the Manhattan Institute for Policy Research in a letter to CBS. "It found minor statistical gains among the fourth group, AFDC mothers. But these gains . . . were based on the 64 percent of the enrollees who could be located after the program had finished. The others had disappeared."

Widows, Orphans, and Good Copy

The conclusion one draws from television accounts is that failed social programs are either rare or nonexistent. Certainly TV provides little in the way of rigorous, unsentimental assessment of the effectiveness of these programs. Rather, they are assumed to work —and thus cuts in their funding are presumed to be harmful. And

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not only harmful but sweeping in their impact, a point that is easy to make by seizing on untypical cases. But were the cuts staggering? The hard evidence suggests the cuts were marginal. Despite tightened eligibility, there were an estimated 20.2 million food stamp recipients in July 1982, compared to 20.4 million a year earlier. In the face of ballyhooed cuts, the AFDC caseload dropped from 1981 to 1982 only from 3.8 million households to a projected 3.5 million, and overall AFDC spending fell from $14.6 billion to $14 billion. And in the teeth of supposed retrenchment, the number of Medicaid recipients rose, from 22.5 million in 1981 to an estimated 23 million in 1982. These numbers are not secret; they are widely available. But you have to be looking for them, instead of simply cranking out the semi-hysterical figures that purport to detail, say, the number of widows and orphans tossed mercilessly in the snow. It may be true in television, as in newspapers, that the bigger a budget cut can be made to appear, the better the play a story about it will get. The story may have the benefit of being accurate, at least on the surface. But there is a casualty in this, truth, as a distorted image of the impact of the cut is presented. Sad to say, it is exactly such an image that television has relentlessly provided.

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Can Europe Be Defended?

THOMAS A. CALLAGHAN, JR.

The North Atlantic Alliance has half again as many people, has more than twice the GNP, and spends more on general purpose forces than the Warsaw Pact. Europe could be defended against a Warsaw Pact conventional attack, without recourse to nuclear weapons—if the Europeans wanted to. They do not.

This has led many in the Congress to conclude (wrongly) that the European Allies are simply unwilling to shoulder their fair share of the common defense. Inadequate burden-bearing is a symptom, not the cause. The cause is a profound strategic disagreement between European governments and the United States as to what should be the role of NATO's conventional forces, particularly in an age of nuclear parity. Should deterrence continue to be one-dimensional? Or should it have both a nuclear *and* a conventional dimension?

These issues began to trouble the Alliance soon after Sputnik foretold the end of American nuclear invulnerability. They became acute as American nuclear superiority waned. Since massive nuclear retaliation would trigger a massive nuclear response, the U.S. rejected continued reliance upon a conventional force tripwire and began to emphasize *defending* Europe, short of all out nuclear war. This was the issue that precipitated French withdrawal from NATO's Integrated Military Command. The other European governments remained but continued to think and plan in terms of *deterring* an attack on Europe by threatening all out nuclear war. The result was not just a disparity between American and European defense expenditures but between American and European combat capabilities, readiness, and sustainability. In 1979, a House Armed Services Subcommittee found that:

> NATO's capability to fight a protracted war is almost nonexistent. NATO lacks the capability to fight for thirty days and present plans will not provide such a capability before 1983.... The European shortages of ammunition and replacement stocks are critical; evidence available to the subcommittee suggests that European forces will begin to run

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out of equipment and ammunition in a matter of days rather than weeks or months.[1]

At the NATO Thirtieth Anniversary Conference in Brussels in 1979, Brigadier Kenneth Hunt, now specialist adviser to the British House of Commons' Select Committee on Defence, presented a paper which explained that:

> . . . if conventional forces were too strong, they would, in the eyes of many Europeans, weaken deterrence, since they would tend to weaken the nuclear link between a European battlefield and the United States. Such a defence would run the risk of inviting a protracted conventional conflict in Europe, with all the destruction that would surely follow.[2]

The European view that conventional strength might weaken deterrence was reported (but not highlighted) in a Senate Foreign Relations Committee Staff Study last year:

> European reluctance to spend considerably more on conventional defense reflects more than fiscal, demographic and political restraints; it also underscores the acute European sensitivity to the devastation that could be caused by even a non-nuclear engagement. One German defense official advised staff that any conventional war that lasted for 3 or 4 months, with a front that changed back and forth across Germany, would in his opinion destroy the country just as completely as would a nuclear war. German officials concede that some increase in conventional warfighting capability is in order, since there can be no credible deterrence without credible defense, but they stress that they are having enough difficulty as it is selling the idea of even 30-day stock levels, let alone tackling U.S. proposals for 90- or 180-day sustainability levels. . . . The European Allies tend to regard conventional defense more as an element of deterrence intended to ensure that the Soviets confront the risk of escalation than

1. House Armed Services Special Subcommittee Report on *NATO Standardization, Interoperability and Readiness*, HASC no. 95-101 (Washington, D.C., 1979), p. 2. The NATO heads of government agreed at the 1978 Washington NATO Summit to acquire 30 days of war reserves by 1983. This goal will not be met in 1983. It may possibly be met in 1984 or 1985.

2. Brigadier Kenneth Hunt, "Alternative Conventional Force Postures" in *NATO The Next Thirty Years*, Kenneth A. Myers, ed. (Boulder, Colorado: Westview Press, 1980), p. 134. Brigadier Hunt in the cited quotation was reporting, not advocating. His personal views are summed up in the last sentence of his paper: "The posture NATO has now, nuclear and conventional, will not do."

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> as a guarantor of victory on the battlefield.... Consistent with their perspective on conventional forces, the Europeans see the primary rationale for short-range nuclear weapons as political ... to pose the real risk of escalation and thereby link conventional defense to the prospective devastation of the Soviet homeland.[3]

The Staff Report made no mention of the "prospective devastation of the American homeland," which must surely follow from continued adherence to a NATO conventional force posture intended not to ensure the defense of Europe but rather to ensure the *automaticity* of the American nuclear response. An automatic American nuclear response to a Warsaw Pact conventional attack would have been credible when the U.S. enjoyed battlefield, Eurocontinental, and intercontinental nuclear superiority. But that was many years ago. "The heart of NATO's problem," Senator Sam Nunn (Dem., Georgia) warned last year, is that with nuclear parity forward defense and flexible response is "a military strategy that cannot be implemented." He explained that:

> Under conditions of strategic parity and theater nuclear inferiority, a NATO nuclear response to non-nuclear Soviet aggression in Europe would be a questionable strategy at best, a self-defeating one at worst. Thus major responsibility for continued deterrence in Europe has shifted to NATO's outnumbered, outgunned and maldeployed conventional forces. Flexible response in theory has become inflexible response in practice.[4]

Dependents or Partners

Europe's unwillingness to join the United States in creating a credible conventional NATO deterrent is eroding Allied cooperation and cohesion. Their unnecessary conventional force weakness has cast the United States in the unwanted role of Europe's military protector. By remaining dependent upon that protection long

3. Senate Foreign Relations Committee Staff Study Report for the full committee, *NATO Today: The Alliance in Evolution*, Committee Print, (Washington, D.C.: U.S. Government Printing Office, 1982), p. 66.

4. Senator Sam Nunn, *NATO: Can The Alliance Be Saved?*, A Report to the Senate Armed Services Committee, Committee Print (Washington, D.C.: U.S. Government Printing Office, 1982), p. 2. The Executive Branch (Defense and State) have long been unwilling to acknowledge that NATO's strategy cannot be implemented.

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after their postwar recovery, and by failing to pool their national resources to produce a collective defense posture and a continental defense industrial effort, the Europeans are teaching Americans what Jean Monnet meant when he said, "The United States has only one reliable European Ally—Europe!"[5] A disunited Europe continues to forfeit the equal, interdependent partnership with the United States that Europe's leaders seek in foreign and defense policy matters worldwide.

The U.S./European protector-dependent roles are poisoning the entire transatlantic relationship. The dependent Europeans (properly) resent being informed rather than consulted, having things done *to* them (e.g. the Soviet pipeline embargo) instead of *with* them, and being threatened periodically by a congressionally mandated withdrawal of American troops "if they do not shape up." In turn, the American protector (properly) resents the fact that the prospective federal budget deficits may possibly be higher than they need be if the Europeans (and Japanese) were contributing more to the common defense; that the scale of American defense expenditures has contributed to the high interest rates the Europeans have complained of; and that, though half the Pentagon's defense budget is committed to the defense of Europe, the Europeans are unwilling to do more to reduce the danger of nuclear war. Senator Nunn, probably NATO's strongest supporter in the Congress, summarized the prevailing congressional view when he told a European audience:

> In this century, Americans have died in large numbers on European battlefields. We are prepared to do so again if necessary, but only for a Europe that is dedicated to its own defense.[6]

Now new tensions are developing in the protector-dependent relationship as the antinuclear movement on each side of the Atlantic, and particularly its more constructive elements, questions a defensive strategy that (if ever deterrence should fail) offers no alternative to nuclear war, other than surrender. This is not an appealing alternative when American and Allied governments are imposing an annual $200 billion tax burden on their peoples for the conventional defense of Europe.

5. Jean Monnet, *Memoirs*, trans. Richard Mayne (Garden City, N.Y.: Doubleday and Company, 1978), p. 470.

6. Senator Sam Nunn, "MBFR/TNF Modernization," Konrad Adenauer Stiftung Symposium, 22 Oct. 1979, Washington, D.C., p. 5.

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In Bonn, West Germany a year ago, I was making these same points to a German audience, arguing that with nuclear parity the threat to resort to nuclear war within Europe and between the continents was no longer a rational alternative to adequate conventional defense. The discussion seemed to be leading to agreement that NATO must have a conventional deterrent. Then a question was posed as follows: we agree that much more emphasis must be placed on NATO's conventional capabilities, but you are talking (are you not) of being able to fight for perhaps a month or two before escalation—not for months on end, or a year or more?

I answered that deterrence is in the eye of the beholder: that the Soviet leadership must be as certain today that Germany and its Allies are determined to defend themselves against a Soviet attack, as the Soviets were determined to defend themselves against a German attack in 1941. There was a silence before the next question.

If readers were to conclude at this point that the European governments are primarily responsible for NATO's conventional weakness, they would be mistaken. American leadership has also been deficient. It was the United States that offered the Europeans the prospect that Mutual Assured Destruction (MAD) would guarantee them (in the French phrase) *la non-guerre et la securité*, making preparations for conventional war obsolete. And when MAD was obviously bankrupt, it was the U.S. that tiptoed (and still tiptoes) around the question of whether forward defense and flexible response is a strategy that can be implemented. It is also the United States, failing to distinguish between defense-industrial dependence and military vulnerability, that has made it impossible to pool Allied technological-industrial resources.[7]

But what if the Europeans were suddenly to agree that NATO needed a new strategy emphasizing a credible nuclear *and* conventional dimension? What new strategy would the United States propose? Since strategy is often seen in the Pentagon as either an engineering problem to be solved (e.g., strategic bombers, strategic weapons, etc.) or a budgetary problem needlessly constrained, one fears the answer at the conventional level would be that the Europeans should (1) increase their defense budgets to the same

7. When lecturing some time ago about the possibility of the U.S. army buying the German LEOPARD II tank, an army officer objected, saying, "But if Europe fell, where would we get our tanks?" I asked, "If Europe fell, where would you be taking your tanks?" No reply.

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percentage of GNP as the U.S. and (2) invest the increase in the purchase of new advanced technological weapons developed in the United States.

That these answers would be partly correct, but only partly, masks the fact that these measures would fail to produce a credible conventional deterrent in the eye of the Soviet beholder. Let us, therefore, analyze NATO's conventional weaknesses, and could-be strengths, through Soviet eyes.

A Conventional Deterrent, through Soviet Eyes

Assuming no valid provocation, why would the Warsaw Pact attack Europe? The answer would be threefold: (1) to capture *intact* and then neutralize Europe's trained technical and managerial manpower, its advanced technology, and its industrial base; (2) to erect an Atlantic nuclear wall to provide a secure western border for the Soviet empire, thereby ensuring that American political and economic intercourse with Europe would be at Soviet sufferance; and (3) to outflank and control the energy-mineral lifelines from the Middle East and Africa. The first objective would be primary, since the other two would follow from the success of the first.

The tactical aim would be to move Soviet forces into Europe so fast as to confront NATO with a conventional *fait accompli* that would deter the use of nuclear weapons. With its massive armored forces, structured for blitzkrieg, the Soviet Union could strike with very little warning and with very good prospects of overwhelming NATO's forward defenses. Why? Because the inter-German border is not fortified, and NATO's forces are concentrated on that border. NATO, in effect, is committed to a Maginot Line defense —without the Maginot Line.

Like the present-day computer, the Maginot Line takes the blame for human failure. There were only two things wrong with the Maginot Line. First, with misplaced faith in the sanctity of Belgian neutrality, and as an economy measure, the French built the Line only to the Belgian border, instead of continuing it on to the English Channel. Second, the Line was not properly used. In a deployment that first brought Colonel Charles DeGaulle into conflict with his military superiors, they concentrated most of the French Army behind the Line. DeGaulle argued that the bulk of the army should be held back as a highly mobile reserve, to snuff out any breakthrough or any thrust through Belgium. Had DeGaulle been heeded, the numerically superior French Army

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would probably have destroyed the invading Germans. Or deterred them from attacking at all.

Instead the panzers swept around the Maginot Line (not through it), trapping the French Army from the rear, and then fanning out over the lightly defended approaches to Paris and forcing the eventual French surrender. The debacle was facilitated by panic-stricken French civilians fleeing the German onslaught with their families, their farm animals, and their household goods, choking the roads, and inhibiting any effective French counterattacks.

In a Soviet attack on NATO's central front, the absence of fortifications would speed the advance. The likely Soviet breakthrough of NATO's linear forward defenses would choke the autobahns and lesser roads with German civilians, and American, Belgian, British, and Dutch military dependents, inhibiting any resort to nuclear weapons.

In fashioning a conventional deterrent, the first step would be to fortify the likely invasion routes. Much of the West German border consists of rugged terrain, forests, and hills that could be fortified to channel invading Soviet forces into fiercely defended fields of fire, which would slow their momentum and minimize the chances of rapid and deep penetration. With NATO's main heavy forces held back for counterattacks, outflanking maneuvers could be defeated, casualties inflicted, and delays imposed that would deny the Soviets swift victory.

Beyond the forward zone of forests, hills, valleys, villages, and towns lies the vast urban Rhine-Main-Weser sprawl from Stuttgart, Frankfurt, Dusseldorf, Hanover, and Bremen to Hamburg. All are defensible.

Defenseless cities can be terrorized by tanks, witness: East Berlin in 1953, Budapest in 1956, Prague in 1968. Conversely, *defended* cities hold a particular terror for tanks. The PLO refer to their war last year as "The 74-Day War." The name is a proud reminder that a relatively small, lightly but well-armed PLO force, holed up in a Beirut in which they were no longer welcome, held off the Israeli forces (possibly the fifth strongest in the world) for a longer total time than did the combined armies of Egypt, Jordan, and Syria in 1967, and Egypt and Syria in 1973. Despite much bluster, Israeli armor prudently declined to enter Beirut in 1982—as did Syrian armor in the months-long siege of Lebanese Christian forces in 1978. Neither the Syrians nor the Israelis wished to emulate Hitler, who threw away one army at Stalingrad and another army at Leningrad.

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"Hero Cities"

Not too many American or Allied political leaders are aware of the Soviet reverence for what they call the "Hero Cities" of their Great Patriotic War of 1941-45. These include Brest, Kiev, Leningrad, Minsk, Moscow, Novorossyik, Odessa, Sevastopol, and Volgograd (Stalingrad)—the cities that could not be taken or were taken only after a prolonged siege that took a frightful enemy toll. The Russians understand the defensibility of cities. The basic Soviet military doctrine is to avoid fighting in defended urban areas; to use their vast preponderance in armor to sweep rapidly around them. The advantage NATO enjoys is that the German urban-industrial sprawl in the Rhine-Ruhr area makes it almost impossible to avoid the cities, *if* they are defended. If they are not defended, the Soviets would enter and defend there themselves, meanwhile attacking Allied forces in areas congested by civilian displacement so as to inhibit counterattack, particularly by nuclear weapons.

Allied military leaders know full well of the defensibility of cities. This was the subject of an international symposium sponsored by the American Defense Preparedness Association (ADPA) in December 1980 on "military operations in built-up areas." Urban defense experts from the American, Belgian, British, Canadian, French, and German military presented papers. The keynote address was delivered by General John W. Vessey, Jr., now chairman of the Joint Chiefs of Staff, who recounted his own experience of "tough combat in built-up areas when we (the 34th Infantry Division) went into Cassino" in Italy in World War II.

The two-day conference explored problems and solutions: the evacuation of and survival support for the local populace; tactics, doctrine, organization, logistical support, communications; and the many weaponry changes needed to make them safe and effective for urban defense. These included the fact that none of the warheads in use with antitank or artillery weapons systems were designed for maximum effectiveness in built-up areas; that too much noise and blast might injure or kill the defenders or destroy the very structures from which they would be firing; that the wire-guided missiles would get entangled in city wires, poles, signs, etc. In other words, the advantages of urban defense cannot be realized by delaying preparations until war begins.

But deterrence would be greatly enhanced if the European Allies were prepared to mount a stalwart urban NATO defense and proclaim with Churchillian defiance, "We will fight in the cities,

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we will fight in the streets, we will never give up!'' An urban defense strategy would say to the Russians that however much you might covet Europe's labor force and its technological-industrial base, you will never capture it intact. It would end the temptation to attempt a short blitzkrieg conquest of Western Europe. Hitler succumbed to comparable temptation, and the Russians know the price he paid—and the price they paid because they were not prepared.

A stalwart urban defense would permit a counterattack capability—also well understood by the Russians. There are two aspects to such a capability. The first is the current American development of new and very promising technology that could, by the end of the decade, permit NATO's forces to locate, attack, and destroy the Soviet's second-echelon forces, while their first-echelon attack forces were being delayed along the fortified NATO border or were milling vulnerably around NATO's urban defenses, being attacked by these very same weapons. When NATO can deploy these weapons, the ability to strike accurately 100 or 150 kilometers into the Soviet rear would make the blitzkrieg payoff even more remote.

The second aspect would be to plan the defense of Europe as a single geopolitical entity, with the ability to counterattack (either hit-and-run or in force) anywhere along the entire 5,000-mile NATO/Warsaw Pact border. This means NATO's forces must have a far greater intra-European air-land mobility than they do now, and must have standardized weapons and equipment that would permit NATO's forces, wherever deployed, to refuel, rearm, repair, reinforce, support, supply, and communicate with one another. The Warsaw Pact has that capability. NATO's forces do not. It would also mean that NATO's forces must have agreed, uniform war reserve ''days of supply''—particularly of ammunition—so that the Warsaw Pact forces could not hope merely to outlast NATO as they can now. This too is critical, for the longer the Pact has to fight and sustain destruction and casualties on their side of the border without the prospect of a quick victory, the more tenuous becomes the Soviet hold over their Eastern European empire.

Indeed, the very fact that NATO's defense posture would be seen by the Russians to be able to deny the Pact quick victory, thereby putting the Soviet Empire in danger of revolt and dissolution, might once and for all deter any consideration of attacking Europe. This would truly ensure *la non-guerre et la securité.*

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Some argue that a counterattack capability is incompatible with a defensive strategy. It is not. There is nothing provocative in such a stance. The North Atlantic Alliance would still vigorously (and more believably) pursue arms reduction agreements and peaceful coexistence with the Warsaw Pact. But NATO would now be flying the *Don't Tread On Me* flag of early American history. This is a concept of defense and deterrence that should appeal to the youth of Europe and North America, now troubled about the danger of nuclear war.

Pooling Western Resources

The last link in a NATO conventional deterrent strategy would be (1) to pool the enormous industrial and technological resources of the Alliance by creating a cooperative defense industrial system within Europe and between Europe and North America; (2) to eliminate all unnecessary duplication of defense industrial effort; and (3) to share the financial burdens and economic benefits (jobs and technological pride and progress) of NATO's defense, equitably and efficiently. With every country in the Alliance facing great economic difficulties for the balance of the decade, this is the only way the Alliance can provide a credible conventional defense at a politically affordable cost. With cooperation, competition, and military trade, the NATO nations could defend themselves without economic strain.

Of equal importance, however, is the awe the Russians have for the industrial and technological prowess of the West. Today, the Warsaw Pact is outproducing the NATO nations by two or three to one, or more, in nearly every major weapons area. If NATO were to pool its resources, the situation would be reversed. In fact, one can argue that if—nineteen or more years ago—when the Soviet military buildup began, NATO had pooled its technological-industrial resources, the Soviet leadership would have recognized the hopelessness of trying to outproduce Western Europe and North America. Moreover, the Soviet leadership need never accede to meaningful arms reduction agreements as long as the waste and duplication of Allied defense/industrial effort assures them they can always out-produce NATO.

NATO's current weaknesses could (through miscalculation) provoke attack. NATO's could-be conventional strengths would add a forbidding dimension to the Soviet beholder's assessment of the NATO nations' will and capability.

Assuming balance is also achieved at the Eurocontinental

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nuclear level, deterrence would then be completely restored, for it would then be completely credible. The no-longer credible doctrine of *extended deterrence* would be superseded by the doctrine of *reinforced deterrence*: credible conventional defense, reinforced by Eurocontinental nuclear balance, reinforced by intercontinental nuclear parity.

Some argue that the Alliance is too politically fragile to face up to the many problems involved in developing and agreeing to the strategies, structures, policies, and programs needed to provide a credible, collective conventional defense. If they are right, so be it. Something will have been learned, and the American, Canadian, and European governments can plan accordingly. But it is more likely we will find that the Alliance and its people have a strength, a vitality, and a nerve that the timid could never plumb. Given leadership, direction, and challenge—and a political agenda for action with nothing hidden—the nations will respond with a vigor that will command their own respect and that of the Soviet leaders.

The political agenda for that challenge and direction already exists in the Roth-Glenn-Nunn Amendment to the Defense Authorization Act, 1983 (see box on page 86 for complete text). Originally aimed at the Bonn NATO Summit, it was approved in a somewhat different version last May by the Senate by a roll call vote of eighty-seven to one. It was later agreed to by the House of Representatives in conference and passed the Congress last August. It could play as historic a role in revitalizing the Alliance in the year following its enactment, as did the 1948 Vandenberg Resolution in establishing the Alliance in 1949. It awaits only Defense and State Department support, and President Ronald Reagan's "bully pulpit" leadership, to be implemented.

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NATO DEFENSE INDUSTRIAL COOPERATION

SEC. 1122. (a) The Congress finds that—

(1) the United States remains firmly committed to cooperating closely with its North Atlantic Treaty Organization (hereinafter in this section referred to as "NATO") allies in protecting liberty and maintaining world peace;

(2) the financial burden of providing for the defense of Western Europe and for the protection of the interests of NATO member countries in areas outside the NATO treaty area has reached such proportions that new cooperative approaches among the United States and its NATO allies are required to achieve and maintain an adequate collective defense at acceptable costs;

(3) the need for a credible conventional deterrent in Western Europe has long been recognized in theory but has never been fully addressed in practice;

(4) a more equitable sharing by NATO member countries of both the burdens and the technological and economic benefits of the common defense would do much to reinvigorate the North Atlantic Treaty Organization alliance with a restored sense of unity and common purpose;

(5) a decision to coordinate more effectively the enormous technological, industrial, and economic resources of NATO member countries will not only increase the efficiency and effectiveness of NATO military expenditures but also provide inducement for the Soviet Union to enter into a meaningful arms reduction agreement so that both Warsaw Pact countries and NATO member countries can devote more of their energies and resources to peaceful and economically more beneficial pursuits.

(b) It is the sense of the Congress that the President should propose to the heads of government of the NATO member countries that the NATO allies of the United States join the United States in agreeing—

(1) to coordinate more effectively their defense efforts and resources to create, at acceptable costs, a credible, collective, conventional force for the defense of the North Atlantic Treaty area;

(2) to establish a cooperative defense-industrial effort within Western Europe and between Western Europe and North America that would increase the efficiency and effectiveness of NATO expenditures by providing a larger production base while eliminating unnecessary duplication of defense-industrial efforts;

(3) to share more equitably and efficiently the financial burdens, as well as the economic benefits (including jobs, technology, and trade), of NATO defense; and

(4) to intensify consultations promptly for the early achievement of the objectives described in clauses (1) through (3).

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Busy Doing Nothing: The Story of Government Job Creation

JAMES BOVARD

In 1961, when the unemployment rate was 5½ percent and skill shortages existed in a handful of fields, the federal government committed itself to pursuing a comprehensive manpower policy to train and employ the toiling masses. Twenty-two years later, the unemployment rate is almost twice as high, skill shortages still abound, and roughly five times as many workers are "structurally" or "long-term" unemployed. Yet, President Reagan recently signed another job training bill, and Congress is discussing proposals to put hundreds of thousands back to work doing nothing or a reasonable facsimile of same.

A 1979 *Washington Post* series concluded, "Incredibly, the government has kept no meaningful statistics on the effectiveness of these training programs—making the past 15 years' effort almost worthless in terms of learning what works."[1] Since 1964, the General Accounting Office (GAO) has almost annually revealed that government manpower programs reported successes are vastly exaggerated and that the use of dishonest statistical methods is camouflaging failure.

Government manpower efforts gave us Job Corps centers, which mainly redistributed crime to other neighborhoods; youth employment projects, which only taught kids how to nap; and CETA projects, which included building an artificial rock in Oregon, counting cats and dogs in California, and recruiting food stamp recipients in Florida. Politicians have been proclaiming their commitment to training workers for the private sector since 1961. Yet, bureaucrats have been perennially incapable of adjusting to private demand or meeting private standards.

Though training and job creation programs have often been separated in the statute books, Congress repeatedly blends the two, paying training allowances as high as regular salaries, and commanding make-work programs to prepare paycheck recipients for real work. The two facets have nicely complemented one another:

1. *Washington Post*, April 24, 1979.

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as training programs failed, government created make-work jobs to busy the unemployed, and, as more people came to rely on a government paycheck in lieu of work, skills shortages multiplied, increasing the demand for government training programs.

The Birth of a Bad Idea

In 1933, Franklin D. Roosevelt decided that the best way to end the Depression was to raise taxes and pay the unemployed for attendance at public works projects. The government jobs program began comparatively slowly until, one afternoon in November 1933, Harry Hopkins suggested to FDR the idea of putting all the unemployed on the government payroll. The next morning, FDR announced plans to hire *en masse*, and within two weeks a million men were on the payroll.[2] The Civil Works Administration—essentially politicians banging on an economic tin pan—had four million workers by mid-January 1934; but FDR quickly became disillusioned with the high cost of the program and abolished it on March 31, 1934.[3] Government job creation programs were comparatively dormant the rest of the year, even though the unemployment rate was still over 20 percent.

In 1935, FDR began priming for the 1936 election and launched the Works Progress Administration (WPA), which paid over four million people in 1935. The WPA, popularly known as "We Poke Along," was exactly like CETA (Comprehensive Employment Training Act) in that the goal was to hire as many people as quickly as possible, resulting in projects like art classes for the insane. The WPA's main accomplishment was to give leaf raking a bad name. Despite billions of dollars of pump priming and millions of paycheck recipients, the economy remained depressed until World War II. There were more enrollees in federal work relief programs in 1938 than in any other year of the Depression. Unemployment was still at 17.2 percent in 1939—higher than it was in 1931, two years after the stock market crash.

The modern era of manpower law opened with the Area Redevelopment Act of 1961, a law based on the right of geographical areas to equal economic development, in spite of themselves. Critics reviled the law as a program to revive ghost towns.[4] The Area Redevelopment Administration (ARA) was established to direct

2. H. L. Mencken, *Chrestomathy*, p. 424.
3. Leuchtenberg, *Franklin D. Roosevelt and the New Deal.*
4. Oscar W. Cooley, *Paying Men Not to Work*, p. 23.

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federal money and training funds to depressed areas, and was expected to play a serious role in achieving full employment. An early problem was lack of interest by the unemployed—many were not anxious to learn a new trade. Despite much ballyhoo, only 4,400 people had enrolled in ARA training programs by February 1962,[5] and enrollment never exceeded 12,000 a year—despite the fact that over five million were reported unemployed at the time the bill passed.

The Area Redevelopment Administration's goal was to "create jobs" and give training; but the GAO found that the agency typically overreported the number of jobs created by 128 percent,[6] did not use available information to evaluate the number of new jobs supposedly created,[7] and routinely gave millions of dollars to locales that no longer had high unemployment.[8] The ARA and its training program had no effect on reviving depressed areas. By 1965, the agency had so sufficiently defamed itself that its name was changed to the Economic Development Administration.

The 1961 Youth Employment Opportunities Act, the first of many congressional tributes to the effect of the minimum wage in disemploying young people, offered jobs to 21,800 youth in response to the "crisis" proportion of teenage unemployment (16.8 percent—compared to 24.5 percent in December 1982). This was followed by the Public Works Acceleration Act of 1962, which aimed to increase federal spending in depressed areas and to create more jobs for the unemployed. The Joint Economic Committee released a study on the new act, concluding "... our studies have led us to share the general view that such programs are likely to be too slow in starting and too late in ending."[9] Despite the program's ineffectiveness, Congress continually reauthorized the Public Works Acceleration Act, mainly because it was an excellent pork barrel.

In 1962, Congress passed the Manpower Development and Training Act (MDTA) to provide training for workers who lost their jobs due to automation and other technological developments. Like the Area Redevelopment Act, the MDTA was propelled not by any evidence of federal competence in training, but by the moral conviction that "government must do something now." In 1963, the

5. *Wall Street Journal*, February 16, 1964.
6. GAO, B-146910, June 3, 1964, p. i.
7. GAO, B-153449, May 3, 1965, p. i.
8. GAO, B-153449, June 25, 1964, p. i.
9. Economic Report of the President, 1962, p. 92.

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program was expanded to offer training for youth and other officially certified disadvantaged people. Among occupations targeted for training were waiter, waitress, and dishwasher.

The MDTA was originally scheduled to be federally funded the first two years, with expenses split fifty-fifty with the states thereafter. But, by August 1963, only four states had offered to divvy up their share, so Congress postponed the matching requirement. In 1965, Congress reduced the matching costs to 10 percent of training costs, and postponed its imposition until 1967. It is significant that, at a time when state and local governments were paying 95 percent of education costs, they refused to pay even 50 percent of manpower training costs.

The MDTA failed to help the disadvantaged significantly. In 1964, the GAO revealed that the Manpower Development and Training Administration was counting as permanently employed any trainee who was able to hold any job for a single day.[10] A 1978 Congressional Budget Office report on MDTA concluded, "... the impact of training on wage rates has been minimal: the wage rate increases of participants are not substantially different from those of nonparticipants."[11] One widely quoted study revealed that subsequent earnings declined the longer a person stayed in an MDTA training program.[12] A 1967 poll by Manpower Research Council found that 80 percent of the members of the American Society for Personnel Administration said, "The Federal government's manpower and training administration has not helped them find qualified employees; and the largest percent of this group said this was because training was given in the wrong skills."[13] A 1972 study funded by the Department of Labor concluded, "that at least for the period of time encompassed by the study, no significant impact upon skill shortages can be identified" from government training programs.[14]

The Job Corps

In 1964, in response to pressing political needs, Lyndon Johnson launched the War on Poverty, with the Job Corps as centerpiece. The Job Corps was intended to give poor youth the skills to raise

10. GAO, B-146879, April 30, 1964, p. i.
11. Congressional Budget Office, *CETA Reauthorization Issues*, p. 15.
12. Quoted in Dave O'Neill, *Federal Government and Manpower*.
13. *Congressional Record*, 1967, p. 25242.
14. O'Neill, p. 24.

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themselves up to the middle class. LBJ proudly proclaimed, "The days of the dole are numbered." But most of the youths recruited for the Job Corps dropped out before their training was completed, and many of those who "graduated" gained little or nothing from their experience. Crime was rampant at Job Corps centers. Officials made little effort to discipline recruits, because of fear that they would quit and make the program look bad. In Kalamazoo, Michigan, Job Corps trainees rioted and damaged fourteen buildings; at Camp Atterbury, Indiana, seven boys were arrested for forced sodomy; at another camp, corps girls pelted police with bottles. Many localities tried to evict the training centers because of the increase in crime and violence that often accompanied them.[15] But leniency backfired: one of the four main reasons enlistees gave for quitting was "fear of bodily harm" from other Job Corps members.

In a major 1969 study, the GAO concluded, "Post Job Corps employment experience . . . has been disappointing."[16] Job Corps terminees did not do materially better than other eligible youth who had applied to enter the program and then chose not to participate. In FY 1968, the average cost per man-year of training was $8,300—roughly twice the tuition and living costs of a year at Harvard. Despite a big advertising campaign and kickbacks to recruiters, the Job Corps could not meet its 1968 recruitment goals. And of those who were enrolled, the GAO found that 22 percent were ineligible for one reason or another. Its results were no more impressive. Of 362 Corps members who left the program in 1967 and were reported to be employed immediately thereafter, a GAO survey one year after of reported employers found that 22 percent indicated that the Job Corps terminee had never worked for them. Of the remaining 282, 211, or 75 percent, had left their jobs. Only 71 of the 362 reported employed were still working at their first job. And only 25 percent of employed terminees were working in areas in which they had received training. The GAO found that one Job Corps center listed its terminees as employed solely by confirming that they had a job interview scheduled.

In 1979, the GAO reported that the Job Corps was still failing, and still masking its failure with statistical buncombe.[17] For the mid-1970s, the Corps claimed a placement rate of 90 percent of

15. *Congressional Record*, 1966, p. 25123 + .
16. GAO, *Review of Economic Opportunity Programs*, March 18, 1969 p. 8 + .
17. GAO, *Job Corps Should Strengthen Eligibility Requirements and Fully Disclose Performance*, 1979, p. 3 + .

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terminees; but the GAO found that, for 1975, "only 36% of those youths who had been in Job Corps at least 30 days were placed." For 1972 Job Corps participants, those who dropped out after thirty days or less earned more on the average in 1976 ($2,027) than those who stayed in between one and six months ($1,896).

The Job Corps is a typical government training program, in that it selects training on the basis of ease of administration, rather than the enrollee's aptitudes and interests or the demands of the labor market. At rural centers, job training is often subordinated to the government's desire to have menial conservation work performed. The GAO observed in 1979, "Assignment of a center is mainly based on center openings and proximity to the youth's home ...at a minimum, youth's interest should be considered in making assignments."[18]

The Neighborhood Youth Corps was begun in 1965 to give poor urban kids "meaningful" work experience and to encourage them not to drop out of school. But as the GAO reported time and time again,[19] the program has had no effect on dropout rates and has not prevented a vast increase in youth crime rates. Nor has the program provided much experience of the type commonly associated with the word "work." As columnist William Raspberry commented, "... we are raising a generation of kids who don't know what work is."[20] Mr. Raspberry blamed government summer job programs as a major source of the kids' illusions. A 1977 GAO report concluded that at 20 to 75 percent of the work stations in four cities, young people had nothing to do, were simply playing games, or were absent. Yet, workers who did not show were paid the same as those who did.

The Washington, D.C. Summer Jobs Program is a typical program and has provided sustenance for many investigative journalists over the years. In 1979, the program was launched with the usual fanfare and great expectations. But the city government could not get coordinated: some companies that requested 24 workers were only sent 2, and another organization that had not requested any was sent 140 teenagers. Many workers were not

18. *Ibid.*, p. 17.

19. GAO, *Review of Economic Opportunity Programs*, 1969; *Effectiveness and Management of the Neighborhood Youth Corps Summer Program in the Washington Metropolitan Areas, and Federal Manpower Training Programs—GAO Conclusions and Observations, 1972; Information on the Summer Youth Program* 1977.

20. *Washington Post*, December 2, 1977.

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paid on time, and many were paid the wrong amount. "Asked what job skills and work habits he is developing this summer at the Banneker Center, Robert Williams, 16, of Southeast, said, 'Nothing but how to make a dollar.' "[21]

By July 31, 1979, the *Washington Post*, the biggest promoter of the program early in the summer, conceded: "After all the high-level, hurry-up help that went into Mayor Barry's ambitious effort to find summer jobs for youth of this city, the program is in shambles.... Kids' ... perception of the workplace can be needlessly warped by sloppy management—it sets a terrible example."[22] And on October 18, in an obituary, the *Post* concluded, "The lesson they [teenagers] have taken away from the summer jobs program cannot be anything but negative."[23] (The 1980 D.C. Summer Jobs Program was again characterized by bureaucratic foul-ups, no-show workers, and late pay. But it also had good intentions.) Of those programs in 1979, Senator Lawton Chiles complained that youth "get such a strong message of cynicism and corruption that it cannot fail to carry over into their attitudes about work, crime, and society."[24] And, while the Labor Department ran several programs to bribe youth to stay in school, the Job Corps openly enticed them to quit and get job training and a General Equivalency Degree at government expense—and with an allowance.[25]

The Emergency Employment Act (EEA) of 1971 sought to reduce unemployment by increasing the number of local and state government employees. The EEA program, which consumed $3 to 4 billion before it ended in 1974, was created in response to the unacceptable high unemployment rate of 6 percent, and was also designed to relieve hard-pressed local and state governments. But by the time the program got rolling in 1972, the economy was booming, and local and state governments had a $12-billion revenue surplus. In some places, such as New York City, EEA created no new jobs, as the city government simply rehired laid-off employees. Overall, only 24 percent of people hired under this program were permanently retained.[26]

21. *Ibid.*, July 29, 1979.
22. *Ibid.*, July 31, 1979.
23. *Ibid.*, October 18, 1979.
24. *Fortune*, April 1979.
25. GAO, *Job Corps Should Strengthen Eligibility Requirements and Fully Disclose Performance*, p. 16.
26. GAO, *Public Employment Programs in Selected Rural and Urban Areas*, p. 34.

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The Inherent Goodness of Government Spending

Finally, in 1973, in response to a confusing hodgepodge of training and employment programs, Congress passed the Comprehensive Employment and Training Act. In the preface to the new law, Congress conceded, "It has been impossible to develop rational priorities" in job training. This was borne out by experience. CETA spent over $60 billion training and employing over 6 million people; but the unemployment rate is higher than when it started.

CETA began as both a training and employment program, but the job creation aspect became dominant during the 1974–76 recession. Jimmy Carter came into office in 1977, and, though the recession was over, he ordered the creation of 350,000 additional public service jobs by year's end. Local government officials complained to Congress that the Labor Department was pressuring them to hire more people than they wanted to or could; Labor Department officials threatened to withdraw all funds if localities did not spend "another million by Friday." CETA was justified solely by faith in the inherent goodness of government spending.

CETA spent $30,000 to build an artificial rock for rock climbers to practice on and $640,000 to provide education about gay lifestyles; CETA gave $500 a month to a communist agitator in Atlanta, in his words, to "organize for demonstration and confrontation"; and CETA paid for a nude sculpture class in Miami where aspiring artists practiced braille reading on each other.[27]

Waste, fraud, and political patronage abounded. In Philadelphia, thirty-three Democratic Party committeemen or their relatives were put on the payroll; "an unemployed person living in a pro-[Mayor] Rizzo ward had 'almost twice as good a chance' to get a CETA job as a resident of an anti-Rizzo ward," according to the *Washington Post*.[28] In Chicago, the Daley machine required CETA job applicants to have referral letters from their ward committeemen, and left applications without such referrals piled under tables in unopened mail sacks.[29] In Washington, D.C., almost half of the city council staff was on the CETA rolls.

Though CETA was intended to create new jobs, many cities simply laid off and rehired their old employees. The city of East St. Louis had almost two-thirds of its work force on the CETA pay-

27. *Reader's Digest*, "CETA: $11 Billion Boondoggle," August 1978, pp. 72–76.
28. *Washington Post*, July 1, 1975.
29. *Congressional Record*, 1978, p. 24816.

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roll;[30] San Diego and Miami had 47 percent of its work force on the CETA rolls; and nationwide, 16 percent of the average municipality's work force were on the CETA rolls in 1978.[31]

In Arizona, CETA paid college students to train for a track meet; in Bath County, Virginia, CETA paid county employees to attend dance classes; and in Chicago, a CETA worker reported that she was paid for "playing checkers" with other employees. In Brooklyn, CETA workers used a printing apprentice program to open a $5 and $10 bill business; but the poor quality of their work soon had them training on license plates instead.[32]

CETA was used to increase demand for government services. In Florida, CETA recruits went door-to-door trying to persuade people to sign up for food stamps. In Maryland, CETA workers offered free rides to the welfare office. In New York, CETA workers ran a phone service to inform people what unemployment compensation benefits they were entitled to.[33]

At one point, CETA was paying over 10,000 artists and spent over $175 million on art projects. This was not because CETA expected a big jump in the number of artists demanded by the market or because any inadequacy was identified in existing methods of artist training. CETA spent millions on the arts simply because it thought the arts were a nice thing, and people should have more of them, whether they liked it or not. In Montgomery County, Maryland, the richest county in the country, CETA paid nine women $145 a week to attend ballet school. In Poughskeepsie, New York, CETA workers busied themselves attaching fake doors to old buildings to beautify the city.[34] In Seattle, CETA paid fourteen homosexuals and lesbians to produce a play entitled "Lavender Horizons."[35]

The Least Service at the Greatest Cost

CETA showed a genius for providing the least service at the greatest cost. In many places, CETA workers maintained vegetable gardens for the elderly—thus achieving about 2 percent of the labor productivity of a real farmer in Kansas. Other cities used CETA funds to hire "phone pals" for the elderly, thus federally subsidizing idle gossip.

30. *Reader's Digest*, August 1978, pp. 72–76.
31. *Inquiry*, "Tales From the CETA Crypt," August 3, 1978, pp. 8 + .
32. *Ibid.*
33. *Ibid.*
34. *Ibid.*
35. *Conservative Digest*, "Angry Al," November 1982.

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CETA allowed local governments to subsidize CETA wages so that many "trainees" were being paid $20,000 per year. James Kilpatrick reported that fifty-six CETA recruits "averaged $18,000 a year for jobs that paid only $8,751 in other government agencies."[36] By paying high wages for easy work, CETA caused an artificial shortage of low-wage labor in many cities and artificially inflated wage levels in other places. As Dr. James Howell, chief economist for the First National Bank of Boston said, "The CETA program is actually making it more difficult than ever for business to operate in the central city."[37]

CETA's training element was largely lost in the mad rush to dent the unemployment rate. But even here CETA failed. CETA "created" 425,000 jobs in 1977; but at least half of those were simply "displacements"—positions that state and local governments would have funded anyway. By contrast, in November 1977 alone, the private sector created 440,000 real jobs—and would have created even more if taxes had not been so high to support make-work boondoggles.

In 1978, Congress amended CETA to place more stress on the employability of CETA "graduates" in unsubsidized work. The result: from 1978 to 1980, CETA's placement rate in unsubsidized work fell from 42 percent to 37 percent.[38] In 1982, when CETA was winding down, the GAO found that 50 percent of laid-off CETA workers were unemployed, and 55 percent of those were receiving one or more forms of government handouts. Only 25 percent had permanent, full-time jobs, subsidized or otherwise.[39] Overall, only 14 percent of CETA recruits were able to find unsubsidized work in the private sector. The amazing thing about CETA's dismal placement rate is that 75 percent of its recruits were high school or college graduates, and thus could have been expected to do much better on their own in the labor market.

In 1978, the GAO reported that many CETA participants "received training for which they were neither academically nor physically prepared, received training in low-demand occupations and received jobs which labor market surveys forecasted as surplus or low demand occupations, and received training that did not pro-

36. *Washington Star*, August 8, 1978.
37. *Congressional Record*, 1978, p. 27043.
38. GAO, *Labor Should Make Sure CETA Programs Have Effective Employability Development Systems*, p. 11.
39. GAO, *Implementation of the Phaseout of CETA Public Service Jobs*, p. 1.

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vide them with skills needed to do the job."[40] In 1979, GAO did a follow-up report and found that many CETA trainees "remained in their 'temporary' Public Service Employment jobs for several years, and ... received no formal training either related or unrelated to their jobs."[41] The Commission on Federal Paperwork reported that "the choice of job categories for which training is provided often is haphazard. People are trained for job opportunities that do not exist...."[42]

Federal employment and training programs have been perpetually unmanageable. In 1967, over thirty different programs existed, and Congress attempted to resolve the confusion by creating the Concentrated Employment Program—to no avail. A 1973 GAO report on the District of Columbia manpower program found seventeen different agencies with ninety-one different programs, with no coordination. The GAO concluded that "no one knows how many people are being trained, for what occupations they are being trained, or the impact of training on the demand for skilled workers."[43] The National Council on Employment Policy did a follow-up study and found, "It was impossible to track individual trainees through the system; information on the potential labor market was inadequate; the management system was 'bloated' with salaried staff."[44] Congress passed CETA to end the chaos. But a 1979 GAO report found forty-four different employment and training programs in the Tidewater Virginia area with extensive duplication and competition. The GAO observed that "the proliferation of programs in the Tidewater area makes evaluating the overall results of federally assisted efforts very difficult, if not impossible."[45] The GAO found that only 22 percent of those hired from the Tidewater programs managed to retain their jobs.

The federal government currently has twenty-two different training programs, with varying degrees of failure and notoriety.

40. GAO, *Job Training Programs Need More Effective Management*, p. 41.

41. GAO, *Moving Participants from Public Service Employment Programs into Unsubsidized Jobs Needs More Attention*, p. ii.

42. Commission on Federal Paperwork, *Employment and Training Programs*, p. 26.

43. GAO, *Study in Federal Programs for Manpower Services for the Disadvantaged in the District of Columbia*, January 30, 1973.

44. *Washington Post*, June 3, 1977.

45. GAO, *Federally Assisted Employment and Training: A Myriad of Programs Should Be Simplified*, p. i.–iii.

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About the only kind of training program that has not completely shamed itself is on-the-job training. And, even here, 62 percent of OTJ trainees were no longer working with the employer they trained under six months after training ended in 1978.[46] The Federal government has paid many companies to provide OTJ training which they intended to provide regardless. A recent study by the American Enterprise Institute found that the "1967 revisions of the minimum wage law reduced the value of OTJ training for young white males by some 26 percent to 31 percent, reflected as reduced earning power in 1969."[47] The higher the minimum wage is set, the less employers can afford to offer training and still make a profit. If not for the minimum wage, workers could exchange less pay for more training, and the process would be far more efficient and cheaper without government intervention or subsidies.

Federal job training has either tended to be unsuccessful or unnecessary—either failing to achieve its ends or paying to have done what would have been done without a subsidy. As the government share of job training costs increases, job training will become more what government wants and less what businesses and individuals need.

Job Creation in Theory

At best, government can, through taxation, transfer jobs from the private to the public sector. If CETA had not been devouring $10 billion a year in the late 1970s, up to a million additional entry level jobs could have been created in the private sector. And these jobs would have produced enough to perpetuate themselves, rather than being perpetually dependent on the latest continuing resolution. If CETA had never existed, more Americans would be employed today, and our standard of living would be higher. Economist George E. Johnson, writing in the Brookings Institute study *Creating Jobs*, estimated that the Gross National Product lost 34 cents in the long term for every dollar spent on public service employment job creation.[48]

It is almost never a simple choice of paying people unemployment compensation or hiring them as public service employees. The difference is one of getting no value at a low price or getting minimal or no value at a high price. Congress usually insists on

46. GAO, *Job Training Programs Need More Effective Management*, p. 23.
47. Masanori Hashimoto, *Minimum Wages and On the Job Training*, p. 52.
48. *Creating Jobs*, ed. by John L. Palmer, pp. 135-144.

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"prevailing wage" for make-work positions—but this actually works out to be much more than private compensation because the government employees do not work nearly as hard. With unemployment compensation, recipients were limited to twenty-six weeks; with CETA, a two-year hitch was common, often followed by an indefinite period on other doles. Liberals say that anything is better than unemployment; but if the "solution" is something that delays the person's return to a productive job, then society loses doubly—first by having to pay for an unproductive worker, and again by being denied potential productivity.

Every public job creation program either forces minimum wage workers in the private sector to subsidize high-paying, make-work positions or offers a subsidy for low-skill or unskilled labor. Insofar as government subsidizes unskilled labor, it increases the demand for it, which results in an increase in the number of unskilled laborers and a decrease in the number of people who invest the time, effort, and money to become skilled. By constantly raising the minimum wage, government has continually narrowed the differential between skilled and unskilled labor, thus discouraging people from investing in themselves. Government is willing to do everything to encourage people to become skilled, except allow them a decent incentive.

Job creation and training programs have also fared badly overseas. A recent survey by the *Economist* found that 74 percent of Britain's unemployed felt that government training programs had done them little or no good.[49] Britain began a Job Creation Program (JCP) in 1975 to reduce unemployment and increase training; but, after leaving the program, only one-third of the workers got jobs, and 56 percent registered as unemployed.[50]

Many Western countries began public job programs during the 1974–76 recession, but nowhere have the programs made a decisive impact on unemployment. In Canada, two programs created roughly 100,000 jobs, but this still left 800,000 others out of work. In Denmark, the Public Employment Program created 2,800 jobs in 1976–77, but this helped only 3 percent of the unemployed. In Britain, the JCP had 49,000 job positions, equivalent to about 4 percent of the country's unemployed.[51] CETA, even at its most

49. *Economist*, December 4, 1982.

50. Organization for Economic Cooperation and Development, *Direct Job Creation in the Public Sector*, p. 21.

51. *Ibid.*, p. 15.

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overfed state, never exceeded more than 10 percent of the number of unemployed. FDR's gargantuan payroll creation campaigns never accounted for more than a third of the unemployed during the Great Depression.

Job creation programs never do more than make a small dent in unemployment rates at great cost. Even the claims for the number of jobs created are illusory. Economist Alan Fechter estimated in 1975 that, in the long run, between 60 and 90 percent of PSE positions simply displaced positions that would have been created or maintained by state or local governments.[52]

Public job creation is firmly based on Keynesian economics— on the theory that government can spend the people rich. During the 1930s, administrators competed to see who could hire the most people to do the least work. A Labor Department publication suggested using CETA workers for "labor intensive snow removal," Peking style. Liberals routinely justify job creation by claiming that it will increase purchasing power; but to take a dollar from a private pocket and put it in a public pocket does not increase purchasing power—it only increases the chances of the dollar being misspent.

The Grand Illusion

The illusion underlying faith in government job creation is that it only counts—or is somehow better—if government does it. Chief economic adviser Martin Feldstein explained to a congressional committee that the recently increased gas tax would destroy more jobs than it created, because it would take money out of the private sector and give it to high paid union construction employees. Yet, the nation's press for the most part refused to recognize this elementary fact, and continued praising Congress for "doing something" about unemployment.

Government can create a job only by destroying the private sector's ability to create jobs. There is a finite amount of capital, and what government uses to endow leaf-rakers cannot be used by businessmen to hire productive workers. Government job creation almost always assumes that the wages for the make-work positions will come out of thin air—that government can increase taxes by five billion dollars or depreciate the currency with no effect on the private sector. But as long as one remembers that taxes and inflation have effects, faith in government job creation is impossible.

52. Alan Fechter, *Public Employment Programs*, p. 19.

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President Reagan, when he recently signed the $3 billion Job Training Partnership Act (JTPA), promised the new program would not be a "make-work, dead-end, bureaucratic boondoggle." But a close look at the new law shows that it is firmly in the tradition of federal manpower follies. The JTPA perpetuates the Job Corps, despite that program's remorseful history. The JTPA authorizes the continuation of summer youth employment programs, perhaps the deadliest enemy of teenagers' work ethic. In the remaining hodgepodge, the JTPA even authorizes a special program to help federal contractors meet affirmative action requirements. JTPA requires local programs to spend at least 40 percent of their funds on persons aged 16–21; this is a measly consolation for the Reagan administration's failure of nerve in pushing for a subminimum wage for youth.

The Chamber of Commerce, National Association of Manufacturers, and National Alliance of Business are promoting JTPA as a "great partnership." But the main reason business lobbies are keen on the new bill is that it is largely a subsidy for business. JTPA will allow local Private Industry Councils (PIC)—which are required to have a majority membership of businessmen—to use federal money to pay for training in council members' firms, thus saving them millions of dollars they would otherwise have to spend. The PICs will likely be composed of established businessmen from larger businesses, who will use the training subsidies to gain an additional edge over small, struggling businesses. If the law actually sought to maximize benefits to the unskilled, it would provide vouchers to individuals, rather than unlimited discretion to businesses.

Many, if not most, of the poor, disadvantaged, and college graduate trainees and make-work paycheck recipients would be better off now if the federal programs had never existed. Aside from the waste of scores of billions of dollars, government manpower programs distorted people's lives and careers by making false promises, leading them to believe that a year or two in this or that program was the key to the future. Especially with CETA, people spent valuable time in positions that gave them nothing more than a paycheck, while they could have been developing real skills in private jobs with a future. *A mistrained person is worse off than an untrained person who knows he still must acquire a skill.*

If the goal is to create jobs, the most expedient policy would be to require government welfare recipients to work in return for their benefits—what is sometimes called workfare. If unemploy-

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ment compensation recipients were required to work twenty hours a week for the government, the nation could create over four million jobs overnight, and repair an awful lot of railroad beds. Or if Congress refuses to do that, the least it could do, it could change the name of unemployment compensation to government employee training stipend, and order all recipients to stay at home twiddling their thumbs eight hours a day.

The answer to unemployment and low skills is not to camouflage the problem and reduce investment, which every job creation program proposes, but to reduce the government-imposed impediments and disincentives to the development and exchange of labor. Government restrictions on hiring youth and paying minimum wages make it unprofitable for business to hire millions of low-skilled people. Government economic policies that disrupt the economy with inflation and credit squeezes prevent the accumulation of capital necessary to start or expand businesses. Government payments of high welfare, food stamp, and unemployment compensation benefits make it more profitable for many people to go on the dole, rather than accept low-paying work. And government-incited trade wars with foreign countries, such as the bill to require domestic content in American automobiles, are guaranteed to decrease the total amount of trade, and thus reduce the total number of jobs. If government had not first crippled the labor market, it is unlikely that government make-work and training programs would ever have received widespread support. The answer is not for government to spend another $50 billion futilely attempting to cure a problem it caused, but to stop causing the problem in the first place.

In short, there is no substitute for prosperity. Any government scheme to train or employ the masses must first be measured by the question: What effect will the increased taxation necessary to finance the program have on the economy—on the total number of productive, self-supporting jobs? Where there is a real job, there is a real incentive to train someone for the job. In the long run, every make-work program destroys more jobs than it creates, because it squanders the capital that is necessary to support all jobs.

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Objections to Privatization

ROBERT W. POOLE, JR.

All across the country, local governments are in trouble. Five years after Proposition 13, the recession and state income tax indexing have turned California's perennial budget surpluses into deficits, eliminating billions in annual bail-outs to the cities. Across the country New York's Mayor Koch projects a $1.3 billion deficit for fiscal year 1984. And Massachusetts's cities are struggling to cope with the phase-in of property tax cuts mandated by Proposition 2½. All the while, the Reagan administration continues to trim federal aid to state and local governments.

The conventional response of local politicians is to present voters with an unappealing pair of alternatives. Either accept increases in local taxes, they threaten, or vital services will simply have to be slashed. Being more knowledgeable about government costs than most citizens, the politicians can generally come up with service cuts that raise a maximum of concern while not actually saving much money, all the better to extract tax increases.

While there generally *is* a lot of fat in local government, few people other than those on the inside have the time or skills to ferret it out. Rather than engaging in fruitless nickel-and-diming with local bureaucrats, we ought to raise a more fundamental question: why is local government providing a particular service in the first place?

Why *does* the public sector often provide golf courses while the private sector provides miniature golf? Why is garbage collection done by private firms in some cities but by a municipal sanitation department in others? The fact is, there is no clear rationale for the arrangement of so-called public services in American communities. Anyone who has lived or worked in a number of different parts of the country will have observed numerous differences in who provides public services and how they are paid for.

The textbook rationale is that all of the services local government provides are "public goods." To an economist or political scientist, a public good is a good or service which is consumed collectively and from which nonpayers cannot be excluded. The classic example of a public good is national defense. If somebody supplies defense by fielding an army, navy, and air force, everybody in the

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country gets defended; it is very difficult to figure out how to defend only those who would choose to pay. So the conventional response to the public goods problem has been for government to produce the service and to tax everybody to pay for it.

Unfortunately, this model—of monopoly production and tax funding—has been applied across the board to municipal services, few of which meet the requirements of being true public goods. Private firms can and do produce virtually every type of municipal service somewhere in this country—from ambulances to wastewater treatment. And a great many of these services, such as garbage collection and recreation programs, readily lend themselves to being purchased by their users, just like ordinary private goods. So it is certainly *possible* to shift many local public services into the private sector—to *privatize* them. The real question is: will doing so save any money?

Fortunately, there is a wealth of evidence—both theoretical and empirical—that privatization can bring substantial cost savings.[1] The most fundamental reason is the difference between profit-and-loss incentives and bureaucratic incentives. An entrepreneur seeking to turn a profit has powerful incentives to accomplish a given task—whether sweeping the streets or operating a sewage treatment plant—with the optimum combination of people and equipment. He therefore must seek out new technology and new ways of organizing the work—or lose the business to competitors who do. A municipal department head has no profit-and-loss signal to guide his decision-making. Generally, he is rewarded not in proportion to how efficiently he gets the job done, but in direct proportion to the size of his agency, as measured by people and dollars. Recessions and tax revolts provide the only check on the tendency of bureaucratic entities toward relentless growth based on the taxpayers' deep pockets.

Economies of Scale

Besides the difference in incentives, there is a structural reason why privatization frequently saves money. It has to do with economies of scale in providing public services. In the heady 1950s and 1960s architects of urban reform presumed that cities were like auto factories or steel mills—the bigger you made them, the cheaper

1. The three principal overview volumes on privatization are Robert W. Poole, Jr., *Cutting Back City Hall* (Universe Books, 1980); James T. Bennett and Manuel H. Johnson, *Better Government at Half the Price* (Caroline House, 1981); and E. S. Savas, *Privatizing the Public Sector* (Chatham House, 1982).

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the per-unit cost would be. One of the principal arguments for metro government was that consolidating small "inefficient" local governments would lead to significant economies of scale.

A later generation of urban analysts, such as Robert Bish and Vincent and Elinor Ostrom, demolished this notion with a whole series of empirical studies.[2] Today we know that scale economies differ greatly among the various public services, with only a few (e.g., capital-intensive services like secondary wastewater treatment plants) having very large economies of scale. But the most important realization to come out of this work is that the size represented by a particular city—its area and population—is unlikely to be the optimum scale for most of its public services. Chances are that for some services, the city is too small for maximum efficiency—in which case it makes sense to purchase the service from a supplier large enough to serve more than one city. And for other services, the city is far too large for maximum efficiency and can be served much better if multiple suppliers do the job. The one arrangement *least likely* to be most efficient is for all the services to be provided at the scale defined by the size of the city.

A third reason why privatization can save money is the difference between monopoly and competition. This is related to, but not exactly the same as, the difference between bureaucratic and profit-oriented incentives. If a private firm is given a long-term monopoly and is thereby protected from competition, it may well develop much the same insulation from cost-consciousness as the archetypical bureaucracy. This can be true even where there are multiple providers, but they are shielded from competition by controls on entry, as is the case in most urban taxi markets (with the conspicuous exception of Washington, D.C.). In empirical studies comparing the costs of public services, the most important factor generally is *not* whether the providers are public or private but whether the service is provided under competitive or monopolistic conditions.

It is important to note that the competition need not be side-by-side competition in *space*. Simply having a contract go out to bid every few years—competition in *time*—can still provide strong incentives for cost-effective operations, so long as the bidding process is conducted openly and fairly, rather than being simply a formality for extending the contract.

2. See, for example, Robert L. Bish and Vincent Ostrom, *Understanding Urban Government: Metropolitan Reform Reconsidered*, (American Enterprise Institute, 1973).

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In addition to cost savings, there are other advantages to privatization. As Urban Institute researchers have pointed out, when a public service is contracted out, all too often that is the first time city officials have taken a serious look at defining objective performance measures for it.[3] Having to write a contract spelling out what is to be delivered concentrates the mind in a way that simply shoveling out the money to a municipal department never did. Many local officials find that a private supplier under contract is far more responsive and concerned about the quality of service than municipal personnel who take it for granted that they will be providing the service in perpetuity.

There is still another factor promoting greater responsiveness. In those forms of privatization where the users pay directly for the service, a price mechanism can provide feedback to the public service supplier, just as in the everyday workings of the private marketplace. A private park operator may experiment with dozens of new services—chaise lounges, pedalboats, exercise classes, etc.—modifying them at will based on people's willingness to pay. When such services are provided "free" by the taxpayers, whatever feedback exists operates via the political process. Besides being slow and cumbersome, this process tends to be dominated by organized interest groups, rather than giving voice to every consumer voting with his or her dollars.

Firefighters as Capitalists

Ever since the city of Scottsdale, Arizona incorporated in 1952, it has received its fire protection under contract from a private company. The company, Rural/Metro Fire Department, Inc., is the largest of about a dozen profit-making fire-protection firms in the United States. The contracts run for three years at a time, with annual cost-of-living adjustments. For most of the past thirty years, there have been no potential competitors, but as of 1983, there are at least two other private firms—J. J. Security and Wackenhut Corporation—seeking contract fire protection business on a nationwide basis.

For many years Scottsdale's privately contracted fire protection was highly controversial within the profession—especially among the firefighters unions. Several economists studied Scottsdale's experience, partly as a curiosity. But it was not until the mid-

3. Donald Fisk, Herbert Kiesling, and Thomas Muller, *Private Provision of Public Services: An Overview*, (The Urban Institute, May 1978).

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1970s that a detailed empirical study was carried out. The Berkeley, California-based Institute for Local Self-Government, funded by the Lilly Endowment, sent a research team to Arizona to evaluate the cost effectiveness of private fire protection there. The researchers gathered data from Scottsdale and three other Phoenix-area cities of comparable size, age, and demographics: Glendale, Mesa, and Tempe (all with conventional municipal fire departments). The objective was to compare the cost and effectiveness of fire protection in the four communities.

The results were unequivocal. On the three measures of effectiveness, Scottsdale ranked number one in speed of response to alarms (even though it has twice the land area of the other cities). Its fire insurance rates were comparable, and its average annual fire loss compared quite favorably. Thus, there was no question that the *quality* of fire protection was equally as good in privately supplied Scottsdale as in the other three cities. The most dramatic result was in the comparative cost. Over the five-year period 1971–75, the average annual per-capita cost in Scottsdale was $6.48—just 56 percent of the $11.58 average of the other cities![4]

What had Rural/Metro done to cut its costs in half without jeopardizing the quality of service? Essentially, the company re-thought the organization of manpower and equipment to figure out how to accomplish the task more cost-effectively. Among its innovations, Rural/Metro pioneered the use of four-inch-diameter fire hose as a "portable pipeline," feeding two or three conventional 2½-inch lines from a portable hydrant. This change saved the city money by enabling it to double the spacing between fire hydrants. Rural/Metro also invented a remote-control, track-mounted robot firefighter for working in dangerous situations and developed a pumper truck with two pumps rather than one, essentially doubling its usefulness for a small increase in cost.

But the most important innovation was the way Rural/Metro uses manpower. Most municipal fire departments staff up to full strength with full-time firefighters—who end up spending most of their time waiting around for something to happen. Rural/Metro has developed, instead, a mix of full-time and paid reservist firefighters. The latter receive less-intensive training and agree to be on-call in one of four platoons, each of which is on-call one week out of every four. The reservists are called only for structure fires,

4. *Alternatives to Traditional Public Safety Delivery Systems: Civilians in Public Safety Services*, (Institute for Local Self Government, 1977).

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the majority of alarms being for grass or trash fires, which the full-time people can handle. Since the reservists are paid only for the time they actually spend training or responding, their payroll cost is but a small fraction of the cost of full-timers. Consequently, Rural/Metro's labor costs are far less than those of its municipal competitors, even though wage levels are comparable.

The company's founder and chairman, Louis A. Witzeman, leaves no doubt about the incentives that led him to develop the company's methods. "We have the greatest incentive in the world to innovate, to pioneer, to analyze every little step," he told me, "sheer survival."[5]

Today Rural/Metro is bidding on contracts in a number of states, often in competition with several other firms (and, of course, with the municipal fire department itself). It serves over a dozen Arizona communities, has a division in Tennessee, and had a one-year contract recently in Georgia. Besides contract fire service, it also provides service to 80,000 rural residents on an individual subscription basis, and it operates a number of ambulance services. Upon Lou Witzeman's retirement as president in 1981, the company was sold to its employees, through the vehicle of an Employee Stock Ownership Plan. Thus, the country's largest private fire company is also an exercise in workers' capitalism.

Collecting Garbage for Profit

Fire protection is a high-tech service requiring special training and expertise. Garbage collection, by contrast, requires little in the way of either equipment or training. It is also frequently provided by private firms, generally under contract with the municipality (with the service being paid for by taxes, just as with Scottsdale and Rural/Metro) or under an exclusive franchise arrangement (where payment is made directly by consumers). In both cases, a given firm has a monopoly within a particular territory, at least for the duration of the contract or franchise.

Yet unlike fire protection, garbage collection has almost no economies of scale. All it takes to pick up garbage is a couple of men and a truck. A larger firm will use multiples of this basic unit, but its only potential areas for unit-cost savings are in volume purchasing of trucks and in a few overhead items, the most important being billing. One might therefore expect garbage collection to be organized as a competitive industry, with numerous suppliers in

5. Poole, *Cutting Back City Hall*, p. 28.

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the marketplace. Although that is how the commercial and industrial markets are organized, the residential market is usually forced into some sort of monopoly arrangement by local government, either by providing the service itself or by contract or franchise arrangements.

In 1978, Wichita, Kansas, represented an exception to this general pattern. About 30 percent of the city was served by a municipal sanitation department, while the remaining households had a choice of private suppliers. That summer the municipal sanitation service suffered what ended up as a terminal breakdown, falling more than a month behind while garbage piled up in the summer heat. The larger private "haulers" (as they are called in Wichita) proposed a plan to take over for the failing sanitation department. Their plan would have divided the city into districts, awarded an exclusive franchise in each one, forced all small firms out of business, and had the city take over the billing. The plan was characterized as being the most efficient solution, despite Wichita's tradition of open competition.

To understand this characterization, some background is in order. During 1975–76 the National Science Foundation (NSF) had funded a nationwide study of garbage collection. It was led by Professor E. S. Savas of Columbia University, now an assistant secretary at the Department of Housing and Urban Development (HUD). The NSF study was a landmark in privatization because for the first time it documented empirically that (1) private firms collect the garbage in more cities than do municipal sanitation departments, (2) on the average, municipal collection is 29 to 37 percent more costly than contract or franchise collections, (3) city governments generally do not know the true cost of their own garbage service; they typically understate it by 23 percent, (4) city governments tend to overproduce garbage collection service, providing more of it than people want if they have a choice, (5) overall, comparing full cost of public versus private service, municipal collection is 61 to 71 percent more costly than contract or franchise collection.[6]

There were not many examples of open competition in residential collection in the NSF data. But the data that were included showed that "private" collection (i.e., without some form of monopoly protection) was more costly than contract or franchise collection. The study's authors concluded that economies of scale

6. Savas, *Privatizing the Public Sector*, pp. 93–94.

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must somehow be leading to cost savings in franchise or contract situations, despite the general tendency of competition to hold down prices. Thus, the advocates of franchising in Wichita had some impressive support for their proposal. Nevertheless, the citizens, used to having a choice of providers and egged on by the smaller companies, succeeded in persuading the city council to torpedo the plan. Thus, when the municipal sanitation department gave up the ghost in December 1978, Wichita became the largest city in America to have a competitive residential garbage collection market.

As with airline deregulation, the results are somewhat difficult to assess, because a number of factors affect the price of garbage service, not just the extent of competition. But after the first two years, economist Karl Peterjohn reported, some prices were higher and some *lower* than before the changeover.[7] Moreover, the heightened competition led to an increase in the choices available to consumers, both in frequency of service (once a week vs. twice a week) and in convenience (curbside vs. backyard).

The argument that exclusive franchises lead to lower costs also seems contradicted by the recent experience of Pima County, Arizona. Until 1976 that county's unincorporated area surrounding Tucson was divided into franchised districts, with a single company serving each one. When another firm applied to do business, the county discovered it lacked the authority to grant exclusive franchises. Since that decision, a lively competitive market has developed in the Tucson suburbs. Where there were just two companies picking up garbage in 1976, today there are fifteen. And interestingly, some of the mom-and-pop newcomers are charging less than half as much as the former monopolists—and making money.

While these examples may not be definitive, they certainly cast doubt on the idea that exclusive franchises promote efficiency in garbage collection. What is more likely is that this industry with minimal scale economies is an ordinarily competitive one. And what is clearly beyond argument is that a municipal sanitation department is totally unnecessary, as is taxpayer funding. Putting garbage collection back into the marketplace would take a large chunk out of many city budgets and lead to better and cheaper service, as well.

7. Karl Peterjohn, "Dumping the Garbage Monopoly," *Reason*, Vol. 12, No. 7, (November 1980).

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If privatization is so great, why are cities not flocking to put it into practice? Actually, the extent of privatization is much greater than is commonly believed, as borne out by a recent survey carried out by the International City Management Association for HUD.[8] Nevertheless, there is strong resistance to the concept, and a variety of objections is advanced.

Private firms will end up costing more. There are two versions of this objection. The more simplistic runs as follows. "There are no magic techniques known only to the private sector. Therefore, when you add a private firm's costs of advertising, taxes, and profit (which municipal agencies don't have) to the cost of production, the private firm's costs have *got* to end up higher." This argument neglects completely the role of profit-and-loss incentives in affecting what those costs of production end up being. As we observed in the case of Rural/Metro, the need to keep costs below what it would cost the city to start its own fire department led to important cost-cutting innovations. Likewise, family-owned garbage collection firms are often able to keep their costs low by purchasing used equipment, working longer hours, and avoiding high overhead (fancy buildings, administrators, etc.).

The more sophisticated version of this objection contends that private firms will indeed be less costly—the first time around. But once having "bought in" with a below-cost bid, the greedy capitalists will have a built-in advantage over other potential bidders and will be able to make up their losses when the contract is renewed—but long after the municipal department is dismantled. While this kind of thing *has* been known to happen, the remedy is simply competent city administration of the process of going out to bid each time the contract period ends. There are numerous examples of contracted-out service switching from one firm to another—in paramedic service, data processing, vehicle maintenance, social services, and yes, garbage collection—after genuinely competitive bidding.

The overwhelming weight of the evidence (as well as economic theory) points to the conclusion that competitive provision of public services will end up costing less than monopoly provision. The studies of fire protection and garbage collection, quoted above, are just two of scores of studies in a wide variety of fields where

8. Martha A. Schulman, "Alternative Approaches for Delivering Public Services," *Urban Data Service Reports* 14, no. 10 (Washington, D.C., October 1982).

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government and marketplace provision of services have been compared. Municipal transit,[9] nursing homes,[10] water utilities,[11]—even tax assessment[12]—all have been found to be done at less cost when conducted by private enterprise under competitive conditions.

Kickbacks or Scratched Backs

Contracting out leads to rip-offs, corruption, bribery, and kickbacks.[13] The first point to remember about this charge is that it takes two to tango. Without a doubt, corruption has occurred and does sometimes occur in connection with the award of contracts by government. But for any attempt at a payoff to succeed, a government decision-maker must be willing to accept the money and act accordingly. To lay this charge on the doorstep of private enterprise is, to say the least, disingenuous.

Since the temptation to subvert the bidding process will always be there, how can we guard against it? The answer is to have rational, open bidding procedures and objective selection standards —and to make sure that they are adhered to. This can be done by requiring that all such rules, procedures, and criteria be matters of public record and by holding bid openings and other important decision-making sessions in public.

E. S. Savas points out the hypocrisy of public-employee union spokesmen raising the issue of corruption as an argument against privatization. Offering a bribe to obtain a contract, Mr. Savas points out, is quite analagous to what those unions do.

> Public-sector employee unions give endorsements, make campaign contributions, and supply campaign workers to favored candidates for office, and are quite explicit about their expectations when their candidate is elected; they expect—and frequently obtain—a quid pro quo in the form of greater expenditures for the services their union produces, pay raises, and collective bargaining rules that will lead to more

9. Gabriel Roth and George W. Wynne, *Learning from Abroad: Free Enterprise Urban Transportation*, (Council for International Urban Liaison, 1982).

10. Cotton M. Lindsay, *Veterans Administration Hospitals*, (American Enterprise Institute, 1975), p. 11.

11. W. M. Crain and A. Zardkooh, "A Test of the Property-Rights Theory of the Firm: Water Utilities in the United States," *Journal of Law and Economics*, Vol. XXI, (October 1978).

12. Frederick D. Stocker, "Value Determination: The Assessor's Staff vs. the Private Appraisal Firm," in *Property Tax Reform: The Role of the Property Tax in the Nation's Revenue System*, (International Association of Assessing Officers, 1973).

13. John D. Hanrahan, *Government for Sale: Contracting Out, the New Patronage*, (American Federation of State, County, and Municipal Employees, 1977).

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favorable outcomes of labor negotiations. They seek more jobs and agency shops, the net effect being to enlarge the union treasury and thereby increase the salaries and perquisites of the union leaders. While technically such behavior may be legal, in essence it differs little from the bribe paid by a private firm to secure a contract.[14]

Privatization is antilabor; it destroys jobs. The grain of truth behind this objection is that in a great many cases, municipal agencies *are* heavily overstaffed. Privatization can save money in those cases by reducing staff to sensible levels—as we saw in the case of Rural/Metro. But much of the rhetoric used by organized labor on this issue is wide of the mark.

If five workers are being paid to do what three workers can do, it is not "antilabor" to stop this waste. It is pro-taxpayer and pro-consumer. But it is also pro-labor, in the sense that everyone's long-term interest—including that of labor union members—is best served by a sound, healthy economy. By using five full-time people to man a fire engine where three will do just as well, we are depriving society of the productive efforts of those other two people, in whatever other jobs they could be holding. Fewer goods and services will be produced if we fritter away resources by overstaffing public service agencies.

None of this is to deny that the *transition* to private suppliers may pose temporary problems of unemployment for those made redundant by the change. There are several practical ways of easing this burden. One is to require the incoming private firm to give the displaced government workers first preference for the job openings created by the contract. The federal government's official policy on contracting out, OMB Circular A-76, states explicitly that "the contractor will give federal employees, displaced as a result of conversion to contract performance, the right of first refusal for employment openings on the contract for positions for which they are qualified."

Similar provisions are frequently employed at the city and county level, in order to minimize union opposition to privatization. When Computer Sciences Corporation (CSC) won a seven-year contract to take over the entire data processing operation of California's second-largest county (Orange County), it offered jobs to *all* the former county data processing employees—even though it was committed by the contract to cut costs by nearly

14. Savas, *Privatizing the Public Sector*, p. 84.

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one-third over a several-year period. More than 98 percent of the employees accepted jobs with CSC, yet after two years, the staffing on the Orange County account was just 72 percent of the initial level. CSC had not laid anybody off. Instead, it had reduced redundancies by (a) not replacing those who retired or resigned, and (b) transferring some employees laterally or upward to other jobs in the company. In fact, the opening up of new career paths—encouraged by company training programs and career guidance—was a key factor in keeping employee morale high.

Yet another way of handling the transition is to encourage existing department employees to form their own company and bid for the contract, in competition with outside firms. If anyone ought to know how to redesign the work for greater efficiency, it is the employees themselves, right? And if they can be given a direct stake in higher productivity—as by creation of their own firm, through a vehicle such as the Employee Stock Ownership Plan (ESOP)—the employees themselves may become strong supporters of privatization.

One example of such a transition took place several years ago in San Francisco. After passage of Proposition 13, and a subsequent city proposition encouraging contracting out, a group of city budget analysts resigned from government and formed the Harvey M. Rose Accountancy Corporation. It now contracts with not just San Francisco but also Oakland and San Jose and the counties of Kern, Marin, Mendocino, Merced, and Santa Clara.

The final point to remember in dealing with the "antilabor" argument is that implicit in it is the idea that the purpose of a government agency is to provide jobs for workers. Unfortunately, all too many sanitation departments, transit districts, and fire departments are operated *as if* that were actually their purpose. We need to remember that their purpose, in fact, is to collect garbage, provide transportation, and put out fires. Any measures that accomplish these goals at less cost should be given serious consideration.

It is fine in theory but will not work in practice because there are not enough qualified suppliers. As with the antilabor argument, this objection contains a grain of truth. In some fields—especially police and fire protection—the number of examples of privatization are few and the number of firms currently seeking business from cities and counties is small (though *not* zero). But even in these fields some cities *are* going out to bid and contracts *are* being signed. A trade organization for fire protection firms—the Private Sector Fire Association—was incorporated in 1982.

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In most other fields the number of suppliers or potential suppliers is actually quite large. In garbage collection, even cities with large sanitation departments leave commercial and industrial garbage collection largely to the private sector; all of those firms are already in place, should the residential market be opened to them. Maintenance services of all kinds—park maintenance, street-tree trimming, traffic signal maintenance, road maintenance, janitorial services, vehicle maintenance—all of these services (or close analogues) are already being provided in the private sector, often by numerous small firms. Many of those firms would be eager to bid for local government contracts. And as noted earlier, each department's own employees constitute a potential contractor, if reorganized into a for-profit firm or, for that matter, a nonprofit co-op.

Thus, the argument that there are too few suppliers to make privatization feasible (1) applies, if at all, to only a handful of all public services, and (2) will continue to lose force as more and more cities shift services to the private sector, attracting the interest of entrepreneurs and of large corporations. In the last few years a number of large corporations have targeted state and local government as a major potential market. Such firms include ARA Services (vehicle maintenance, school busing, cafeteria services), Computer Sciences Corp. (data processing), and Wackenhut Corp. (fire protection and law enforcement). The garbage collection business' largest three companies (Browning-Ferris Industries, SCA Services, Waste Management, Inc.) are all nationwide firms with numerous local subsidiaries.

A Sentimental Objection

Public services should be organized for service, not for profit. This objection is largely an emotional one, reflecting distaste for the idea that some people should profit by supplying the vital needs of others. How can necessities like water supply or sewage treatment be left in the hands of greedy capitalists? Yet those who make such arguments generally do not campaign for the socialization of grocery stores. And few people except socialist zealots argue that it is immoral for a skilled surgeon to make $200,000 a year "profiting" from other people's brain tumors. Yet people are sometimes still swayed by rhetoric suggesting that there is something unseemly about for-profit companies operating paramedic vans that provide emergency medical care.

Clearly, this objection is based on a failure to think through what "profit" and "private" really mean. They are principles we take

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for granted as effective, efficient means of organizing most of society's business. It may be unusual to apply them to fire protection or emergency ambulances or street sweeping, but there is nothing fundamentally different about such services compared with numerous others that we take for granted as private-sector activities. The answer to this objection is just a dose of clear thinking.

It may work in Scottsdale, but it will never work in Melonville. The parochialism of local officials and their resistance to change can only be appreciated by someone who has worked with them. In my nine years of consulting with local governments in seven states I was continually struck by two things: (1) the diversity of arrangements for providing public services even within the same county, let alone between states, and (2) the insistence of local officials that their own situation was unique and that things just could *not* be done any differently.

The situation in California since Proposition 13, however, puts the lie to the claim that things must stay the way they are. Under the gun because of revenue curtailments, local officials in California have made significant forays into privatization over the past few years. Within a year of Proposition 13's passage, voters in both the city and the county of Los Angeles and the city/county of San Francisco amended their charters to authorize contracting out wherever it could be shown to be cost effective. Of the three, only Los Angeles County's elected officials have chosen to use this new mandate aggressively. Nevertheless, a great deal of contracting is going on around the state. A 1981 survey by the California Tax Foundation identified eighty-seven distinct services being contracted out by cities and ninety-two by counties.[15]

Thus, it may take an outside forcing function, such as significant revenue cutbacks, to motivate local officials. And such a stimulus may yet occur as Congress shrinks at least the growth of federal aid programs. But the claim that privatization "will not work" or "cannot be done" is simply a rationalization of attachment to the status quo.

The Chinese word for "crisis" contains two characters. One of them means "opportunity." The crisis facing local governments as a result of both local tax revolts and reductions in federal aid offers a unique opportunity to step back and take a fresh look at what we expect our local governments to do and why.

15. *Contracting Out Local Government Services in California*, (California Tax Foundation, May 1981).

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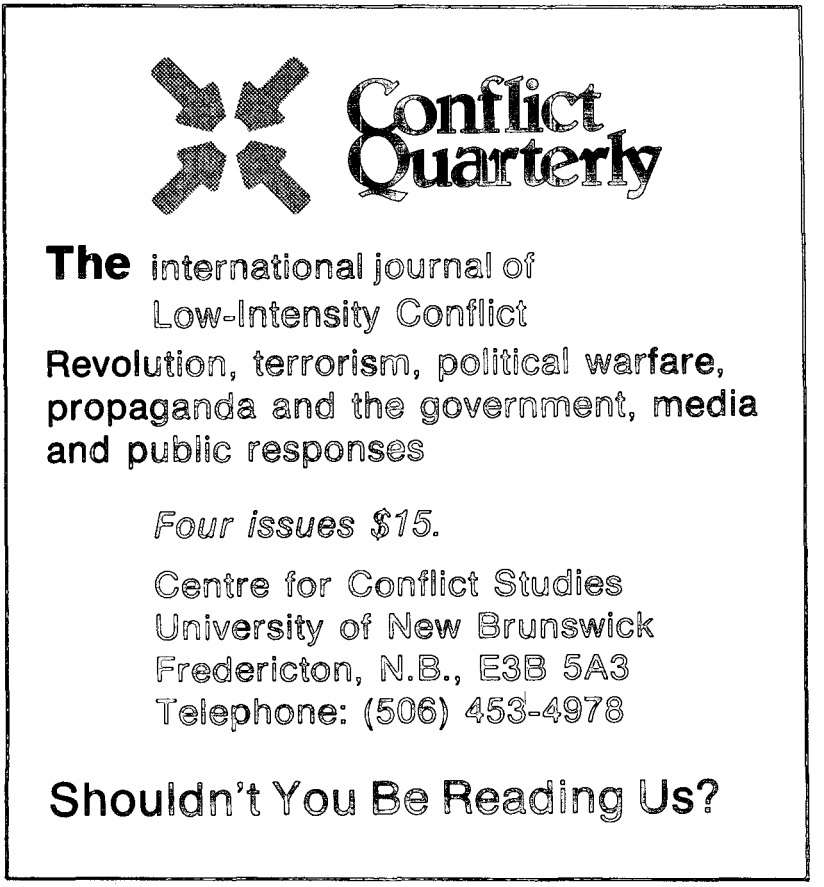
Several decades of scholarly work in law and economics and public choice have taught us a lot about the pathologies of bureaucracy and the inefficiencies of socialism. We are quick to recognize that socialized coal mines or socialized steel mills are economic disasters. Yet why, based on what we now know, should we expect socialized fire departments or socialized garbage pickup to be any better? It is high time we thought clearly about such enterprises, recognizing that many of them are simply businesses that can be provided by private firms and paid for by their customers. We should then proceed to shift such enterprises back into the private sector where they belong.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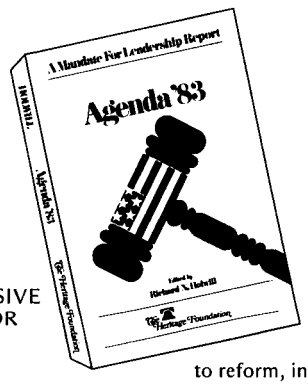

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What Life after Land Reform?

GRACE GOODELL

Nations are less disposed to make revolutions in proportion as property is augmented and distributed among [the people] and as the number of those possessing it is increased.

—Alexis de Tocqueville

One of the first measures the United States took upon assuming governance of the Philippine Islands was to purchase the Spanish friar estates from the Pope in order to parcel them out to the Filipino families tilling them. After World War II the United States insisted upon land reform in Japan, Korea, and Taiwan. Once we saw that productivity need not decline when the tiller is his own master, land reform became the apple of our eye, even in such right-wing regimes as that of the Shah. Land reform was also integral to American military tactics: as early as 1956 Washington's mission in Saigon argued for it. The Vietnamese "common man," General Edward Lansdale said later on, cherished but "one real yearning...to have something of his own, a farm, and to be left free to make it grow as he wishes." Our recent pressure on the new regime in El Salvador to continue the land reform program has been founded on this Tocquevillian analysis. Thus, land reform has been one of the few constants in our policies toward the Third World. In some Third World countries, indeed, USAID has required it as a condition for aid.

By now almost all Third World countries outside of sub-Saharan Africa have ratified some type of land reform. A few of the earliest postwar land reforms were plain and straightforward. In Bolivia, for example, in 1953, the state redistributed the hacienda lands and that was that. Overnight hundreds of thousands of new "small" owners were thrown on their own to fend for themselves. Only temporarily did production drop. But in cases of greater interest to the State Department, or of greater prosperity, or in cases which could benefit from earlier experience, land reform has provided in-

This essay is dedicated to Professor Peter Bauer, who, almost alone among development economists, foresaw the tyranny inherent in the state's economic benevolence.

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exhaustible opportunities for the state's paternalistic ambitions. It has been the ideal cover under which the government could install *itself* in the place of the landlord and even exceed him in controlling the peasantry whom it had "liberated." What more virtuous camouflage could a Third World ruler find—advancing behind his phalanx of planners and policy-makers, international funders and all manner of bureaucrats north and south—for penetrating the impenetrable countryside, enervating it, and bringing it at last under central command?

The conventional wisdom of development economics, of course, calls for such state intervention. It maintains that the danger inherent in land reform is that it may deliver the peasant into the hands of middlemen, whom development theorists and policy-makers consider more evil even than landlords (although landlords themselves often perform certain middleman functions). For decades Third World planners and their Western mentors have waged war against the middleman—essentially a synonym for the entire private sector serving rural areas. They accuse them of being parasites sapping the potential vitality of the countryside. In a basic text for "getting agriculture moving" in the Third World, a leading agricultural economist portrays the peasant victim in typical terms: "A small holder's normal state is to be absolutely at the mercy of middlemen...against whom he has no economic strength."[1] Quite the contrary, in fact. Empirical studies in the Latin American, African, and Asian countryside and provincial market towns confirm such factors as the great proliferation of middlemen even among the villagers themselves, their extremely high risks, and the keen competition among them for the small farmers' business.[2] But international funders and local ruling elites stand to gain from fostering a strong anticapitalist bias against these local and provincial entrepreneurs and thus paint a grim picture of their alleged extortions. Surely *the state* (with foreign aid and advisers) would be a far more benevolent and efficient moneylender, inputs supplier, technical adviser, and purchaser of

1. Gaitskell, Arthur, "Agricultural Credit," in Borton, ed., *Getting Agriculture Moving*, Vol. II (New York: Agricultural Development Council, 1966) p. 73.

2. See, for example, Barker, R., "Rice Marketing in Asia," in *Rice Research Strategies for the Future* (The Philippines, International Rice Research Institute, 1981); Spinks, G.R., "Attitudes Toward Agricultural Marketing in Asia and the Far East," in *Monthly Bulletin* (Food and Agriculture Organization, January, 1970); and further references therein.

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the small farmer's harvest, in short, a *benign* middleman. And what more opportune time to launch its career than with the moral and organizational momentum of land reform? For the supposed dangers of the middleman seem to redouble when agriculture is modernized at the time of land reform, since farmers become still more dependent on middlemen, suppliers, and creditors while, at the same time, the landlord who used to provide such services in the traditional system has been removed from the scene.

The New Model Landlord

But landlords and middlemen are not the only objects of the state's attentions at this time. For the government to carry through its new design, it must also dominate the small farmers themselves. How can society rely on small farmers unaided to support urbanization and industrialization, reason the bureaucrats, if they remain slow to accept the challenges of modern agriculture? The farmers' regrettable reluctance to change and their managerial inefficiency can only be corrected by subtle forms of coercion. Their rural poverty and helplessness similarly demand state action through compulsory farm cooperatives, while the poverty and helplessness of the Third World's mushrooming cities call for state control over grain prices and state intervention in harvest procurement. Surely the state (which means, of course, the central planners) must step in, take control, and become, in effect, their new landlord.

Land reform therefore marks the state's ideal entry-point as the small farmers' all-purpose middleman. But whereas the former landlords and middlemen ruled over a "stagnant, oppressive" rural economy, the state bureaucrats promise to bring freedom and productivity to modern villages. Here, however, something curious happens. Although land reform and "elimination of the middlemen" are often advanced as complementary, once the government has actually cashed in on land reform politically, it usually slows down the program's implementation (from which the elites might suffer), while pushing bureaucratic penetration of the countryside (from which they and their funders stand to profit).

The theory further assumes that to replace the services which landlords, dozens of middlemen, and the farmers themselves used to provide for the village requires an "integrated" government program. Any farmer wanting title to his land must—for his own good—borrow the state's comprehensive loan package. This pack-

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age "integrates" all the farmer's new post-land-reform needs in one transaction. All farmers receive the same amount of credit, fixed chemical inputs (often seeds, also) and are subject to a uniform time schedule. But the consequence is that, through a packaged loan, the farmer enters into as much debt to the state as the state deems necessary; accepts whatever inputs the state knows he needs (since these are given in kind and thus cannot be used for anything else); agrees to obey the technocrat's managerial decisions rather than his own (leaving him no technological choices); and, finally, renders up his harvest to the state in repayment for the loan and for the purchase installment on his land. In a single fell-swoop at harvest time, the interlocking "package" simplifies the state's task of loan collection, implements its price controls, replenishes its urban warehouses, and finances land reform. New presbyter is old priest writ large.

From the *economist's* point of view such an integrated package (based on the Taiwanese model and increasingly the goal of every land reform) seems unassailably sensible. It achieves admirable fiscal soundness (for *the state*) by reducing the collection risks of agricultural loans to small farmers—such loans suffer severe losses worldwide—and by compelling modern agricultural practices. From the *planner's* point of view, it tightens central control over the "masses" of farmers and over the untidy capitalist sector serving them. From the *bureaucrat's* point of view, such a package enables the state's machinery to replace the supposedly avaricious middlemen in all three of their major areas of former "oppression": credit, input supply (along with guidance into the new technology), and harvest procurement.

But from the *small farmer's* point of view, by exploiting his poverty, it robs him of all managerial or entrepreneurial options whatsoever. If he enjoyed little freedom under the old landlord, however, he may perhaps hardly know the difference.

Despite its economic jargon, the intention behind integrated and packaged Third World agricultural programs is clear.

In Professor Paul's words:

> Making loans against delivery contracts the proceeds of which are used for repayment of the loans before the balances are remitted to the producers . . . means that credit and marketing must be closely allied. A further step in the same direction would be to tie in more closely the introduction of new agricultural techniques with the administrative systems used for the extension of credit and marketing . . . The need

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> for credit can be used as leverage to speed up the adoption of new methods...[Supplies] should be furnished in kind through the same channels as credit and thus paid for by the proceeds arising from the delivery contracts...
>
> Millions of farmers throughout Asia must have seasonal credit in order to subsist throughout the year. Various ways must be devised whereby this need is used as leverage for generating more rapid progress in the introduction of new methods.[3]

Such a plan need not be restricted to land reform beneficiaries; but land reform does make it easier to require farmers to join "their" cooperatives, which then act as the government's integrating apparatus.

But what is the role of foreign aid in all this? An interlocking system of government agricultural programs and agencies has evolved in many Third World countries on the basis of advice and financing from the World Bank and USAID. These attempts at state-managed agriculture, based on "supervised" credit through "farmers" cooperatives, have the explicit aim of "inducing" the small farmer "to produce more efficiently."[4] Over and over again in its definitive *Sector Policy Paper* on agricultural credit, the World Bank insists upon *government-controlled, packaged* loans to the small farmer, without so much as a nod toward alternatives, much less a recognition of the inherent dangers. For nearly a decade, the bank tells us, "integrated agricultural development" has comprised an "important credit activity"

> ...necessitating the packaging of credit together with extension and infrastructure...*All components* of a [World Bank] production package should be, and usually are, financed under such schemes...Clearly there is a need to think of pro-

3. Paul, A., "Credit's Role in Improving Agriculture," in Borton, *op cit.*, p. 413. While economists have begun to question this model, yet from the peasants' point of view, their second thoughts came too late. Thousands of planners, economists and administrators, trained in the sixties in how to control peasant agriculture, are now firmly in power in the top echelons of Third World ministers and international agencies. The passage quoted above, for instance, appeared with elaboration (but no contrary argument) in a widely used basic reader published by the Agricultural Development Council, a leading institution for training Western and Third World university students in agricultural economics and planning.

4. *Agricultural Credit Sector Policy Paper* (Washington, D.C.: The World Bank, 1975) pp. 26-39.

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> duction packages for the farm as an entity and to finance *all* complementary components...To make the credit program a success, *the government* must provide the complementary inputs...The package approach is to be preferred since it provides the farmer with credit plus all the ancillary services he requires. [emphasis added][5]

Indeed, credit and inputs distributed in kind in such a comprehensive government package constitute two of the bank's ten unequivocal "principles" of agricultural credit for the Third World.[6]

Far from D.C.

How does such a program of government-packaged agricultural services for small farmers actually work, not in Washington's abstract vision of perfection, but in the nitty-gritty at the local level? The present case study examines the network of complementary programs for establishing state control over the small rice farmers of the Philippines' rich irrigated lowlands. The government of the Philippines, with the help of aid agencies, has evolved this scheme over the past fifteen years; and it crystallized in its most comprehensive form in 1972 at the time of land reform. Except where noted, the case we present is typical of schemes in many developing countries.[7]

The village of Santa Rina, Nueva Ecija, is in the center of Manila's fertile rice bowl. The average small-farmer holding in Santa Rina, and in the Philippines as a whole, is five acres. In Santa Rina this yields two crops of rice a year. Like most villagers in Central Luzon, Santa Rina farmers can reach the moneylenders and other private middlemen of a nearby provincial town within several hours' travel by jeep.

Centered on the "supervised credit" program called Masagana 99 (referring to an abundant harvest), the state's campaign fundamentally arrogated to itself responsibility for all financial, supervisory, and marketing services for rice (which had traditionally been offered by landlords and the middlemen). Some of the gov-

5. *Ibid.*
6. *Ibid.*, p. 62.
7. The data informing this study were collected during three and a half years of anthropological field work conducted in Santa Rina and nearby villages, as well as eighteen months of participant observation in several of the key government agencies and private rural banks and on the basis of thorough familiarity with the government's programs nationwide.

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ernment's agencies attracted top Filipino expertise. One, included in this study, was managed by graduates of the Asian Institute of Management, founded by faculty members and Filipino alumni of the Harvard Business School.

At the time of land reform in 1972, scientists had just released the new varieties of high-yielding rice which promised quite extraordinary yields. While the small Filipino rice farmer (generally literate) had used almost no fertilizers and pesticides previously and hardly knew how to select or apply them, the state planners and the scientists calculated that he would need hundreds of dollars' worth of chemicals each season to realize the potential of the Green Revolution. After teaching him his need for these, the government then offered him a loan to pay for them. The vastly increased demand for expensive inputs, after all, promised higher yields for more Filipinos than just the farmers. Finally, by combining land reform with the so-called Green Revolution's drive for national self-sufficiency in rice, *and* with a concerted effort to "integrate" all agricultural services, Manila was able to secure munificent international backing and expert guidance.

We have already mentioned various middlemen serving the rural areas, but here we must draw particular attention to those who carry new agricultural information out to the small farmers. Their contribution is crucial at the time of land reform when the landlord ceases to provide managerial direction, and also in periods of sudden technological improvement. Besides the farmers' own rapid telegraph from field to field across the landscape, the *input suppliers* of the private sector more effectively diffuse innovations in farming practices than does an agency like the Philippines Bureau of Agricultural Extension . . . and at no cost to the state.

But rather than complementing the teaching networks of these private-sector information middlemen—progressive farmers in each village, merchants, seed growers, agricultural supplies salesmen, and even rice traders—the Filipino government's integrated agricultural program set out to *displace* them. Until then, the Bureau of Agricultural Extension had served the small farmer for more than fifty years as a ruggedly independent agency. "Integration" of bureaucratic services now meant combining two monopolies; *a monopoly over the dissemination of information* about the new rice technology and a *monopoly over input supplies*. This centralization of power is precisely what Professor Paul and the World Bank's credit "packages" add up to on the ground.

There are three cornerstones of the government's "integrated"

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credit and agricultural program. First, Masagana 99 offers low-interest loans—12 percent per season—which undercut the private market's 50 percent or higher. To qualify for land reform and this "supervised" credit, a farmer must join his village cooperative. His loan is then administered through a rural bank (though increasingly through a government bank, a Manila-based development firm, or through another state or parastatal agency). Only one program is authorized to serve each village. Right in line with the planners' advice cited above, the loan comprises a fixed package of inputs issued in kind, plus just enough cash to cover labor costs. This credit package for any given cropping season is approximately the same throughout the nation, nearly U.S. $200 per hectare last year.

To make sure they have the chemicals on hand when they need them, the program technician who is supervising Santa Rina farmers (and who is an agricultural college graduate) prescribes all inputs *at the time that he approves their loans*— before planting. Each farmer then takes his purchase order to the supply store specified by the technician, which gives him his fertilizers and insecticides, and sometimes new seeds, and charges them to his Masagana 99 account. Because of the shortage of trained personnel, and in order to reduce administrative costs while assuring a more integrated supervision, the crop *technician* serves also as the farmer's *loan officer*. In particularly intensified programs not far from Santa Rina, the technician lives in the village and even supervises the farmers' timing of critical field operations and the distribution of irrigation water.

Admittedly, in many parts of the Philippines the program is administered by the private rural banks; indeed, they must agree to do so when receiving their license. Since a farmer can only draw his Masagana loan from the one bank or credit program appointed to his village (which simplifies the problem of credit ratings), he has no choice as to which one to patronize and certainly no opportunity to play off agencies against each other for better services. Thus, Masagana 99 insulates its borrowers from the dangers of greedy private moneylenders, but not from the state itself. Loans may only be issued through the state-controlled "farmers' cooperatives"; official lending agencies are strictly assigned to prevent farmers from shopping around; loans are subject to fixed government rates and regulations (as well as to periodic government amnesty on all outstanding Masagana debts); and the state's technical recommendations, state-controlled inputs, and often state

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procurement policies attempt to determine all farming operations so far as is possible.

The Monopoly Shop

The second cornerstone of the Masagana 99 "integrated" credit scheme is the government's distributional system for the indispensable chemical inputs. Since farmers had previously used few chemicals in traditional agriculture, the government feared that in promoting the Green Revolution it would drive them into the jaws of capitalist middlemen who might sell them unnecessary, overpriced, or adulterated inputs. To guard against this and to facilitate the nationwide distribution of chemicals in response to the anticipated demand, the government financed the establishment of Planters' Products[8] as, in effect, the sole retail chain for agricultural chemicals throughout the country, and the sole fertilizer manufacturer and distributor in the nation's more prosperous agricultural regions. The first prerogative is closely connected to the second. No retail chain could sustain itself only on the sale of pesticides. Thus, all Planters' requires is a monopoly over the lucrative fertilizer distribution in order automatically to restrict competition on the sale of complementary inputs like pesticides.

Planters' Products was founded in the early 1970s by Filipino sugar barons who foresaw the enormous commercial opportunities of the new rice technology, especially if it became linked to government credit and compulsory government "supervision." Financed and generously protected by the government, Planters' Products is formally held by all farmer-patrons as "stockholders." Yet, although among the top ten firms in the nation in volume of sales, the company has never issued a dividend to these "stockholders." The president of Planters' Products also rules the nation's sugar interests; top government officials sit on its board.

Planters' Products has therefore enjoyed a number of advantages: invincible government patronage and the fear instilled by martial law; foreign funds for agricultural credit flowing abundantly through tightly-guarded channels; a presidential commitment to the new rice technology; and a highly "integrated" model for agricultural success. These have helped it move quickly along from blocking the Chinese middlemen to securing a monop-

8. This is the actual name of the Philippine company. But other proper names have been changed, for example Santa Rina, according to standard case-study reporting.

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oly over virtually all fertilizer production and distribution; from that to monopolizing all retail sales of pesticides and herbicides (supplanting not just the Chinese, but then all foreign suppliers—Bayer, Ciba-Geigy, Shell, etc.); from that to acquiring exclusive franchise for "repackaging" selected imported chemicals under its own label; and finally, to becoming the supplier for all government agricultural loans. The company is the middleman for loans under Masagana 99; for all loans extended through the Agricultural Credit Administration and its multifarious programs; for all loans offered by the state's extensive Area Marketing Cooperatives and village-level farmers' cooperatives; and for all loans processed through the state Land Bank, the Ministry of Agrarian Reform, and most compact farm and corporate farm programs. Finally, in 1978, after seeing impending weakness in the Masagana 99 program, Planters' Products established *its own* government-funded ₱200 million credit line directly to the farmers, in the process tapping the state cooperatives and their personnel to advertise, distribute, and monitor the company's loans and to collect from borrowers at harvest as part of their official duties to the village cooperative!

The third cornerstone of the government's integrated agricultural program is the National Grains Authority (NGA), also established by visionary sugar baron elites, also inspired originally by antimiddlemen racism.[9] The NGA purchases rice from small farmers either directly or from them through special credit programs and their village cooperatives. Only small farmers are entitled to benefit from its higher purchase price. In many of the government's credit programs, farmers are *required* to sell their produce to NGA. When farmers do so, the "integrated" plan takes effect: their loan remittances and other expenses (irrigation fees, land amortization payments, etc.) are deducted before the farmers are paid for their harvest. The recent World Bank study refers to "the improved market opportunities" this NGA connection offers.[10]

9. The N.G.A. grew out of the Rice and Corn Board, whose former office within the Manila port is said to have updated the number of newly bankrupt Chinese traders each month, along with revised targets and strategies to speed the demise of those who remained.

10. For this and other references to a recent confidential World Bank study, "Philippines Sector Survey: Agricultural Support Services," see Bello, Kinley and Elinson *Development Debacle* (San Francisco: Institute of Food and Development Policy, 1982).

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These three cornerstones precisely fulfill the planners' suggested scheme. The scheme satisfies sound economic principles for the government as creditor, and furthers many of its aims for national development. By offering a far cheaper interest rate than the private sector, it entices farmers into the Masagana 99 program and hence into government cooperatives. By tying their lump-sum loans to the new technology through the technician's purchase order, it forces farmers to modernize their farming according to the scientists' and policy-makers' "superior" knowledge. By combining the chemical inputs and seeds into a single compulsory "technology package" offered through Planters' Products, it guarantees farmers reliable inputs and protects them against fraud, while at the same time improving the likelihood of a good harvest and hence of the government's recovering its investment. By undercutting the private traders' prices at harvest, it encourages or even requires the farmers to sell to the state grains authority, through which the government repays itself (an important feature, since Masagana credit is extended without collateral). The Land Bank and other agencies receive their payments and fees at the same time. Its pricing policy raises the price of rice on the private market as well, replenishes the government's grain holdings for national distribution and emergency, and thereby is held to minimize the country's net losses through storage damage. Finally, it consistently protects the farmer from extortionary middlemen. Does this not sound absolutely ideal?

The Banker Bankrupted

It has not turned out that way. Admittedly in the first five years of Masagana 99, the Philippines enjoyed a 30 percent rise in national rice production. At first glance, this seems impressive. But this was, of course, principally due to the new high-yielding seeds themselves, which would have produced an increase in production whatever the complementary services. An important secondary factor was the Filipino farmers' long-standing eagerness to learn new techniques. An information campaign was probably necessary to introduce them to the new techniques. But there is evidence, indeed, that they might have performed even better without the government package. In provinces where participation in Masagana 99 dropped drastically as early as 1977, farmers steadily increased their purchase of new seeds and inputs and have produced a continuous rise in crop yields. With even 85 to 90 percent of the farmers out of the program, these areas boasted as much as

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a 15 percent yield gain in some years—at least as high a rate as during the years of full participation.

When the effective use of capital is fed into the equation, moreover, the comparison between Masagana 99 and the private sector is seen to be even more favorable to the middlemen and the farmer on his own. Even before the decade was out, Filipino farmers had accrued a one-billion peso debt to Masagana 99—equal to $143 million. Because the government fears that farmers would riot and production would drop if it took strong measures to ensure loan repayment (the country being now politically and economically hooked on the handouts), it continually "reschedules" delinquent farmers' loans. Thus it is impossible to know what the Masagana collection rate actually *is*. But some idea of the proportions is shown by figures for the wet season of 1977 when 366,000 outstanding unpaid loans contrasted with 131,000 *current* loans. By contrast, the private sector averages a 90 percent collection rate.

Nevertheless, because of its ability to draw upon foreign aid and the taxpayer's bottomless purse, the state's integrated policy is winning the battle against private middlemen. In the first four years of the program, the private sector's share in *institutional* finance for agriculture dropped from 81 percent to 50 percent, and the informal sector suffered much more severely. After only seven years of Manila's consolidated thrust into the countryside, almost all farm credit programs of private banks were bankrupt. Indeed, many of the banks themselves collapsed under the weight of parasitic dependence, waste, and corruption of the Masagana program's paternalism. By 1976, 500 banks, which had by then become dependent on the program, had been disqualified. Rural banks, in general, had become over-dependent on the program, losing their portfolio diversification and thus an ability to stand on their own. And, finally, the country's formerly very lively network of rural banks had completely lost its capability to perform that essential service to economic development—namely, to mobilize local savings. Out of thirty-two rural banks in the prosperous province of Nueva Ecija, several of which had flourished for nearly twenty-five years, only three remained in good health by 1981. In virtually every case, the decline of private banking services could be attributed to the government program.

Parallel to this massive erosion of the private *financial* sector in the provinces is the government's systematic undermining of private *retail* initiatives serving the farmers. The monolithic parastatal

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chemical company, Planters' Products, financed and granted monopoly operations by the state and owned by government elites, has taken over almost all agricultural supply stores in the country. The only potential competition to Planters' on its scale, Atlas, no longer has its own warehouses, distributors, or even retail outlets. All private retailing chains for farm supplies have been extinguished. No longer do independent salesmen bring to the farmers the challenges of alternative innovations, alternative theories for better farming, and alternative inputs. The Chinese middlemen have been driven underground; all private seed growers have been forced into the state's "association" for them; all rice millers and traders are circumscribed within the state's procurement and pricing policies; and the state reserves a monopoly on exporting rice. Despite nearly universal adoption of the new rice technology in the irrigated lowlands, not one of the hundreds of thousands of village entrepreneurs sells the supplies that farmers need.

While rice production continues to expand, the private sector's participation in processing, storing, marketing, and investing new capital has remained at a standstill for several years and now is actually being displaced by NGA expansion, which includes grandiose port facilities, etc. The sharp reduction in seasonal price variation, due to government intervention, has eroded the private sector's profit margins so that it is less able to finance post-harvest facilities, such as processing, storing, etc. And so the state intervenes further. Finally, the agricultural extension service, one of the oldest in the Third World and potentially a major stimulant for rural experimentation and enterprise, has been reduced to a mere puppet of the state's and the elite's commercial monopolies.[11]

Farmers are now incomparably worse off than they were under the landlords. To settle a disagreement over a loan, a peasant must penetrate the formidable Central Bank of the Philippines—a Pentagon-like maze of corridors and guards in downtown Manila. To argue over the price of Carbofuran, he must seek out the National Food and Agriculture Council, somewhere within the Ministry of

11. Here we stress the institutional devastation of these government policies, without even touching upon the *economics* of misallocation and waste which are surface symptoms of these underlying arrangements. It is much easier to eliminate subsidies or price controls than to restore enterpreneurial trust and to rebuild institutions, once destroyed. See, for instance, Amanda Te and Robert Herdt: *Fertiliser Prices, Subsidies and Rice Production*, a paper presented to the 1982 Annual Convention of the Philippine Agricultural Economics and Development Association.

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Agriculture, itself somewhere within the government bureaucracy complex, somewhere in distant Quezon City! Tragically, the post-war resolve in the Philippine countryside to hustle, rebuild, and catch up for lost time has degenerated into the self-pity of beggary and reliance on faraway bureaucrats. Farmers are well aware of their pathetic dependence. But, in exchange for these critical losses, have they not at least gained land reform? Hardly. Once the state launched its bureaucratic onslaught, it ceased implementing the land reform (no longer needing it for its own purposes), with only a fraction of the eligible lands actually transferred.

In the recently completed confidential study previously cited, the World Bank has found Masagana 99's integrated agricultural program to be a national disaster: a correct judgment, but of course even in a *confidential* appraisal the bank misses the crucial issues at stake. Singularly preoccupied with gathering numbers in columns as the sole criteria of development (tons of fertilizer, etc.), its expensive analysts, who enjoy *carte-blanche* access to national statistics, still cannot see the essential destructiveness of a program that strengthens the grasp of the state and its national elites over people.

For example, it points out the grave ecological effects of the farmers' present widespread use of the wrong types of fertilizer, and the much higher cost of these over those they ought to use. The bank treats this as merely a technical matter or, worse yet, as the fault of the extension service, or of farmers' ignorance. How could it *fail* to see that the deleterious compounds which the extension service and Masagana package promote are those manufactured by the Planters' factory in Bataan, while the farmers' access to the more beneficial and economic fertilizers they prefer is governed by the state's import protection? In another passage, the bank team seems mystified that a capitalist enterprise like Atlas (owned by a political rival of President Marcos) simply spends nothing on trying to market its products in competition against Planters'! If the bank can find out so little for itself about the causes of economic stagnation, even for a confidential review, one wonders what advice it can offer to the elites themselves or to the American taxpayers whose money it is handing over.

Worm's Eye View

But let us now see the state as middleman in real life in Santa Rina. Some 150 families live in Santa Rina village; all are farmers or landless laborers. A jeep passes through Santa Rina daily going

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to and from the main highway, from which one can continue on to the provincial capital an hour away. But all *government* business, including Masagana 99 loans, must be transacted in the municipality to which Santa Rina "belongs," located in the *opposite* direction, difficult to reach by an infrequently traveled road, and offering far less choice than the provincial capital. Eight moneylenders and six rice buyers (all petty middlemen, small farmers themselves) live in Santa Rina and till their lands there. The village boasts seventeen small stores. Santa Rina has a school with three grades, no electricity, a half-built chapel, and a farmers' cooperative so ineffectual that it has ceased to meet. It is not a village dominated by a couple of rich families, nor was it ever controlled by a single landlord.

The large estates, to which some of Santa Rina's lands originally belonged, were broken up by land reform, though at least half of the village's fields have not yet been surveyed for reform. Still, any farmer in the community can apply for Masagana 99's "supervised" credit. The bank authorized to administer Santa Rina's loans is owned by a provincial family, Judge Luz and his wife; since the government program began, it has held a monopoly on all Masagana 99 loans throughout the municipality's thirty-odd villages. The bank used to have its own agricultural credit program, but, as that cannot compete with the government's, it has been closed.

The first problem which Santa Rina farmers encounter in the government's integrated agricultural program arises from the fact that, like most rural bankers in the Philippines, the Luz family also owns an agricultural supply store. When the Masagana 99 technician administering the government loan issues a farmer a purchase order for chemicals, he restricts it to the bank's outlet store, where Masagana borrowers are charged prices up to fifteen percent higher than customers paying cash, even for the same chemicals. Naturally, the bank technician's task of designating which chemicals a farmer must purchase encourages him or the bank to require inputs which may be unnecessary or adulterated, whose period of viability may have expired, or chemicals dumped on the Masagana market under a Planters' Products label when in fact they have been banned throughout the country. The program's Santa Rina borrowers suffer all these eventualities. (Of course, any store owner may advance a loan to a farmer specifically for purchases in his store. But in that case the farmers can make creditors compete with each other on the open market; fur-

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thermore, they retain the option of what to buy.) In a pilot study of randomly selected pesticides purchased at Planters' retail stores which Santa Rina farmers patronize, 75 percent of the bottles examined contained chemicals adulterated to more than twice the acceptable standard of deviation.[12]

Add to *this* tax on the farmer the fact that, through the government's agricultural controls and Planters' fertilizer monopoly, Filipino rice farmers pay 50 percent *above* the world market for urea, the fertilizer most valuable for their crop and soil conditions. Thus, the government's "socialized" agricultural program, with its elaborate designs to shield naive farmers from rapacious capitalists, places them instead at the mercy of a money-lending monopoly; and it puts them in the hands of a monopoly retailer as well as a monopoly wholesaler for the inputs they need, forcing them to accept higher prices than offered by those against whom they are being protected! Even those farmers *preferring* to borrow from the private sector are left defenseless against manipulation and fraud in acquiring the inputs they must have. Although all chemicals might have been subject to government inspection, were they not distributed and sold by the powerful Planters' Products?

A second problem in the state's program is that the chemicals farmers must purchase with the loan often have little or no relevance to the actual needs of their crop because they are issued at the time the loan is approved, before the crop has even been planted! This absurdity results from the planners' paternalistic obsession with "packaging" everything centrally themselves and from the monopolistic control inherent in "integrated" programs, which leave borrowers no managerial alternatives.

Examples illustrating the waste caused by this contradiction are innumerable. For instance, in 1979 the standard government recommendation for Masagana loans required all Santa Rina borrowers to purchase specific insecticides against brown plant hoppers, although 92 percent of the farmers in the entire province were planting a rice variety highly resistant to that pest. In six villages near Santa Rina, an intensified Masagana 99 program issued its members over $300,000 worth of utterly redundant pesticides in a

12. For further side-effects on a provincial scale and their nationwide implications see Grace Goodell, "Memos from the Barrio," 30 October 1979, informally distributed by the Agricultural Economics Department, International Rice Research Institute, The Philippines.

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single year, while the farmers complained that they had no need whatsoever for these chemicals.[13] When the bureaucrats impose agricultural "integration" precisely the way Professor Paul and the World Bank recommend—namely, tying input supplies to the farmer's loan out of their own self-assurance and for their administrative convenience—the farmers' interests as well as those of the nation invariably give way to those of the state and the agencies to whom it has granted monopolies.

Integrating all aspects of an agricultural program under state control also jeopardizes correct *timing*, which is so decisive in modern farming. Distribution systems which enjoy monopolies—even those monopolizing credit, but especially those providing inputs—have little incentive to maintain inventories responsive to their clients' needs. Frequently Santa Rina farmers find that Judge Luz's supply store has none of the necessary chemicals when an infestation breaks out or just when the crop shows signs of needing additional fertilizers. But turning to other merchants in such emergencies doubles their expenses since they have already assumed a "packaged" debt at Judge Luz's store. All over southeast Asia, government and quasi-government distribution networks for agricultural supplies cause serious crop damage due to such inefficiencies, whereas farmers financing their crop through private moneylenders can search anywhere in the province to fulfill a need the moment it arises.

The conflict of interest between Judge Luz's bank serving as advisor and financier to the Santa Rina farmers while he is also their only source of input supplies is serious. This conflict is sharpened by the farmers' having no choice as to the source or size of their Masagana loan. The very "package" which planners find so efficient is what enables these forms of exploitation. These distortions do not appear threatening to the rural bank's short term interests as creditor, because they affect the use of *public* funds, not those of Judge Luz—public funds, moreover, which are generously guaranteed by international aid against the latent inefficiencies of monopoly. For example, though collections are notoriously poor, Judge Luz only has to achieve 60 percent repayment to qualify for 100 percent coverage by the Central Bank. As a result, he has "loaned" funds earmarked for small-farmer rice production to his cousin for an orchid business, to his brother for

13. *Ibid.*

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an electrical appliance store, and to his mother-in-law for a trip to Los Angeles: all in the names of farmers in the local cemetery.

But even when Judge Luz does not collect 60 percent of the outstanding loans the government periodically revs up Masagana with a new program, available to all farmers *regardless of their previous repayment record.* Its funds run after farmers, not the other way around. Thus, rice production now being contingent upon monopolies and handouts, the very stability of the state now depends upon perpetuating corruption and exploitation.

That the "bank technician" who administers loans is also someone who dispenses farming information leads to many an amusing little drama, always detrimental to rice production. Those very farmers who most need to improve their agricultural practices usually *hide* from the technician when he does visit Santa Rina, because they are his worst defaulters. Similarly, during a pest or disease outbreak when farmers most need his advice, the "technician" is loath to enter the village because "his" supply store invariably runs out of stock.

Finally, however, it must be appreciated that Judge Luz is in the same double bind at his level as are the Santa Rina farmers. He cannot compete for the farmers' business on his own terms because of Masagana 99's much lower interest rate. So he has had to accept the government's heavy-handed persuasion and become its outlet for Masagana credit. Even if his technician is honest and professionally competent, he is limited to government-approved recommendations (predominantly for Planters' inputs) when he issues the government loan, just as his supply store is constrained by Planters' licensing powers. In short, though Judge Luz has his monopoly over loans and inputs in the municipality, the iron hand of the state's and Planters' Products' monopolies rule *him* at the national level.

Clipping the Harvest

So much for the incentives for the Santa Rina farmer to bring his crop to maturation. What benefits does the state offer him at harvest? Planners such as Professor Paul recommend that the government also procure his harvest in order to round out its "integrated" control. Surely no one could oppose such *coordination*!

When a farmer does decide to sell his rice to the NGA (which is required by many Masagana programs), he must do so in bulk. This discourages him from saving, because he sells the entire harvest all at once rather than incrementally. After enduring rela-

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tively stringent months leading up to harvest, he suddenly becomes a "millionaire for a day" and spends indiscriminately.

Santa Rina farmers trying to sell their rice to the NGA usually wait from three to seven days in line outside the warehouse with their grain, sleeping there at night to hold their places in the queue—whereas they can sell to any private dealer of their choice in a matter of fifteen minutes. The question is not simply one of inconvenience: if it rains during this time, their rice becomes wet and thus commands a much lower price.

What does a farmer find when he does reach the head of the line? The government advertises that it is prepared to pay a higher price than the private retailers; yet that says nothing about "quality control." Claiming that their scientific instruments are more accurate than the farmers' own judgment, the NGA testers, in effect, bring down the price they will offer the farmer to that of the retailers outside. Sometimes it is even lower. Since it is impossible for farmers to ascertain the state's actual average buying price, even on a week-to-week basis, they have no leverage against this false inducement. The private middlemen, on the other hand, supply Santa Rina's house-to-house "wireservice" with copious daily information about the markets gratis. Furthermore, since farmers can sell to the middlemen locally, quickly, and in small quantities, if they do not like the price offered by one, it is very easy to go down the road to another.

Who, then, would ever voluntarily sell to NGA? Many farmers *have* to sell to NGA as part of a special Masagana "package" in their region. In conversing with those in the line outside NGA, one discovers among them the many bankers and others who administer Masagana programs. They identify themselves as small farmers—thus qualifying for the NGA procurement program—by presenting their clients' co-op cards (and other necessary documents), which they require the farmers to turn over to them as a condition for the loans. Still others are prosperous rice traders in the private sector who, with their natural links to the NGA bureaucrats, persuade them to drive the farmers back into the private sector through low "quality control" prices in order to purchase the *traders'* rice instead—at the subsidized price. Thus the purpose of government rice procurement—to offer higher prices as an incentive to small farmers—benefits the provincial elites instead. A second justification for NGA, safer national rice storage, is nullified by government mismanagement and private sector efficiency: the NGA suffers "appreciably higher" loss due to storage damage

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than the private sector. A third justification for government rice procurement, distribution of grain to rice-short regions, is similarly fulfilled more effectively by the middlemen, who vigorously seek out areas of grain shortage, (whereas NGA is highly centralized in Manila).

Farmers selling to the NGA, moreover, are never paid on the spot, as they are when dealing with private middlemen. Instead, because of the government's design to control them (which is, again, clothed in paternalistic language), the NGA deducts from the value of each farmer's delivery not only his Masagana 99 loan and its charges, but also sundry debts and fees over which he has absolutely no choice and, indeed, which he certainly would not pay if given the choice. Calculating all these deductions delays his remuneration at least six weeks.

And what has he gained in exchange for such payments? Irrigation charges are deducted even when delivery has been very unsatisfactory or, in fact, damaging; land reform amortization is deducted even before the farmer agrees to the terms of the settlement; co-op membership fees and mutual liability against other farmers' delinquency are deducted (even when the co-op has been disbanded); rescheduled dues on past debts are deducted, at compound interest which no farmer is able to monitor; and various other arbitrary and extortionate claims by the state are also deducted. An example: compulsory life insurance for all co-op members! Yet, with their close family ties, villagers would hardly choose to invest in life insurance, especially since they have never yet seen any benefits paid out to families of the deceased.

All of these charges are "packaged" into the small farmer's loan, and so he must pay them if he is to receive any agricultural advice at all. Since farmers financing their crop on their own withhold payment from any government agency until they are satisfied with the services they receive, these automatic deductions through both "their" cooperative and the NGA deprive farmers within the scheme of the only leverage they have over the government's performance. "Integrating" and "packaging" bureaucratic services, which planners and funders often require, simply protect the state against accountability.

Finally, the very comprehensiveness, which planners so admire in the state's integrated scheme, appears to the Santa Rina farmers as a trap. It pits the obligations which land reform and modern agriculture force them to assume against their future standing as borrowers. Farmers the world over must borrow to finance their

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crop. In the Third World the private sector is far too disorganized to maintain a watertight credit rating system, so villagers can always play middlemen off against each other. While they cannot endlessly avoid their responsibilities, the freedom and informality of the private sector ensure a flexibility which they think agriculture demands. In contrast, the state's complex net of institutional approvals and verifications, identification cards, and restricted access to services through appointed agencies seems expressly designed to deprive them of bargaining power with respect to that scarcest of resources that they require—capital.

When the state offers land reform beneficiaries a choice between itself or the private sector as middleman, farmers vote with their feet for the latter. A decade after the Philippine land reform, voluntary subscription to Masagana 99 has fallen from 98 percent of all eligible farmers to 21 percent in Santa Rina. Certain high officials (not wishing to be quoted by name) estimate that nationwide it has fallen to 1 percent. Most farmers prefer to pay 50 percent interest rates or more to "rapacious" capitalists rather than a mere 12 percent for Masagana's "socialized" benefits in order to retain the freedom to make their own decisions. It is true that farmers eagerly sign up for a new government program if it grants them amnesty on their outstanding Masagana debts. But in a few seasons they fall into arrears once again. The astounding rate of default among farmers who are buying luxury items rather than repaying their Masagana loans—the prosperity of villages choosing to disqualify themselves from the state's integrated agricultural program—these things speak for themselves. In Santa Rina, 86 percent of all farmers disqualifying themselves from the government's cheaper credit program through persistent default admit that they could afford to resume repayment if they wanted to do so.

The farmers' preference for the private sector has undermined other pillars of the state's well-knit program as well. In land reform areas, under-the-counter sales of non-Planters' chemicals in Planters' stores are rampant. Masagana technicians thrive on bribes paid them for recommending these chemicals instead of Planters'. The black market for seeds not licensed by the state flourishes. As the government allows new Masagana programs with stricter surveillance to proliferate, as the Land Bank itself moves into the fray to recover its claims directly through "supervised" loans, and as recalcitrant beneficiaries are threatened with well-publicized "management takeovers" by the state-controlled

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cooperatives, membership in the state's "integrated" program dwindles. In Manila's rice bowl, no new scheme for reversing the erosion of Masagana's control lasts more than several years. Indeed, during a run of bad seasons it is not uncommon for some Santa Rina farmers to hand their recently-won land deeds back to their old landlords, seeking refuge there rather than in the state's integrated package!

The Middleman Unvanquished

What does the private middleman offer that the farmers seem to prefer even above the state's more favorable interest rates and its paternalistic protection? To begin with, the private sector known to Santa Rina farmers lacks any of the formal integration that planners and funders so cherish. These middlemen almost never attach strings to their services. Even individual firms make little effort to coordinate their own various responses to farmers' needs. Private middlemen who lend money, sell inputs, and buy rice at harvest have no expectation that a Santa Rina farmer subscribing to one of these services will return for any others in the future. Filipino farmers skillfully keep their economic options open, especially as higher rice yields increase their mobility.

Secondly, the private sector is extraordinarily flexible. In radical contrast to the government's "packaged" credit and "packaged" technology, it is willing to deal in any unit of capital, input, produce, or even any unit of time. A farmer can borrow whatever amount he needs, howsoever small, requesting a loan for twenty-four hours' time or for several years. Interest rates vary accordingly. The village moneylender will never ask how he plans to use the loan—much less will she volunteer advice!—because that is none of her business. Village and urban retailers are prepared to sell a farmer half a cup of ammonium sulfate or four tablespoons of Brodan. In any village store in the Philippines you can purchase *a single* Marlboro. "If this were Masagana 99," one farmer observed as he stopped by the village store for a smoke, "everyone within five miles would have to buy six cartons of the same brand and guarantee each other's repayment before I could pause for a light."

Most of the loans made by private middlemen have a one- or several-month duration rather a duration of an entire agricultural season. *Days* make a difference in an environment of scarce capital. For example, farmers will delay applying fertilizer until as close to harvest time as possible, in order to make sure the crop

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and the weather justify their investment, and in order to keep the number of days they actually hold a loan to a minimum. This rapid recycling of the village's own resources is, of course, a far more efficient use of capital than the government's cumbersome season-long packages.

Such plasticity also lends itself well to conditions of rapid economic development where land reform has created a *tabula rasa*, as it were, for a large and diversely endowed population. It assures farmers of a wide range of choice, the opportunity to make last-minute decisions, and the option to purchase not a whit more than they actually need. This flexibility enables them to adjust their economic strategies to their differing circumstances, managerial skills, and family assets. All of these vary considerably even in a peasant village, and more and more so as the years progress after land reform. Poorer farmers, farmers with greater family demands, or farmers slower to master the new technology need not assume a heavier debt than they can meet. Farmers at the more prosperous end of the scale are not held back by the rigidities of nationally packaged prescriptions. Each farmer can tailor his crop management according to his particular requirements and capacities.

Nor can the state's prescribed and packaged technology encourage farmer experimentation, since borrowers under such "supervision" are left few, if any, choices. Packaged technology offers no opportunity to purchase inputs in small enough quantities for inexpensive field tests. With virtually no government experimentation conducted locally, the combination of Masagana 99 and Planters' Products stifles leadership in serious innovation while fostering risky fads on a national scale. Like all monopolies, when it *does* err, the state's "integrated" agricultural network threatens to institutionalize mistakes on a large scale. This can pose a grave threat to the nation, as was seen in 1973–74 when Masagana 99 borrowers, using technology standardized throughout the Philippines, fell prey to the same tungro epidemic from one end of the country to the other.

But does not the private sector charge high interest rates for agricultural loans? It does so, but it rarely requires a written agreement which might intimidate the borrower. It transacts business in the farmer's own language, while government forms are in English, which he cannot understand. A farmer, moreover, can do business with village middlemen on the spur of the moment without transportation costs, without waiting for approval, without subjecting himself to the incomprehensible and humiliat-

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ing demands of state bureaucrats. Village and provincial-level middlemen remain at the beck and call of clients night and day (farmers even know where their landlords reside in the municipality or in Manila), because clients call on middlemen for many personal services, for connections with powerful people, for advice and emergency assistance.

From the farmers' perspective, it is an important consideration that the private sector does not have recourse, like the state, to the use of force when it seeks to collect payment. It cannot threaten a farmer with jail, with repossession of his land title if he is a beneficiary of land reform, or with "management take-over" through the cooperative. Finally, private individuals and institutions providing agricultural services in the province have no links with national agencies, which they can use to distort the market significantly. Compared to the size of Planters' Products or the government's banking programs, they are small fry. Provincial middlemen are too numerous, too fragmented, and engaged in too much competition against one another, to match the state's "integrated" monopoly.

Admittedly, provincial-level middlemen do attempt to dominate certain spheres within the municipality. (And no doubt the strong prejudice against middlemen in general was originally rooted in empirical evidence, particularly during the economically static conditions of earlier years.) But when they dominate successfully today, it is always with the assistance of the state granting exclusive licenses and monopolies.

Because they are part of the villagers' social fabric and because they are so free to fill any gaps which appear, the private middlemen offer countless important supplementary services in the countryside, often without charge. During the lean months before harvest, farmers accumulate debts at the village stores owned by some middlemen. And because villagers are bound by personal relations impossible to develop with a bureaucrat, borrowers use these stores to *their* advantage rather than—as in Planters' case—the other way around. While the village storekeeper's prices exceed those in town by some 5–10 percent, she (and many middlemen are, in fact, women) does not charge her clients interest, and she will buy almost any item on request during her frequent shopping trips to town. If her customers or farmers holding crop loans harvest low-quality or moldy rice, which the government would never accept, the village middleman can be pressured to buy it as

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payment for a farmer's debts. Should she reject such a farmer's bad rice, her fellow villagers will harden their hearts against her. And by not charging compound interest on outstanding debts, the middleman provides an invaluable form of crop insurance.

In Santa Rina, the village middlemen perform other valuable services as well. When a borrower mortgages his land to her for a given period of time (she can never in fact lay claim to the title), she usually hires him to continue working it, she often invests in it (improving the drainage, for instance, or adding soil nutrients), and her more efficient management serves as a good example to him. The state's management take-over (or token sentence to a few days in jail) contributes nothing in this way to improve his land and working practices.

Furthermore, many village middlemen are the most progressive farmers in their communities. "Do as I do, not as I say," is a persuasive lesson to the very pragmatic small rice farmer of Asia. Simply by farming in Santa Rina, these middlemen provide more effective demonstrations of new agricultural practices than any of the state's extension classes. This is particularly so since farmers are well aware that the government's "supervised credit" and extension are tied to monopoly profits and, thus, affected more by a concern to further Planters' sales rather than to promote the farmers' savings.

Finally, as a citizen of the village, the upwardly mobile middleman presents a dynamic example to other villagers of initiative, thrift, hard work, and above all of confidence and imagination. In her ruggedly venturesome spirit she proves that the world beyond Santa Rina is accessible to ordinary farmers from this little village, that they can compete out there as well as anyone; and that they can enter into partnership with provincial townsmen as equals, seek bargains as far away as Manila, and continually try new enterprises. It is the middlemen who first send their children to high school beyond Santa Rina. It is they—not the bureaucrats administering Masagana programs—who advance the community's civic interests and spearhead the community's demands that the government perform more effectively. Farmers can identify with these fellow villagers. The state has attempted to fill their roles itself through the farmers' cooperative. But how can a bureaucrat from town, who himself has power over the farmers, exercise leadership in addressing their needs—especially when that means checking government corruption and empty government promises?

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After the Middleman—What?

What have been the consequences when the state and its funders and planners set out to displace hundreds of thousands of village- and provincial-level middlemen and to substitute for them their own flaccid agencies? In one village near Santa Rina, the government's integrated agricultural program succeeded in eliminating two middlemen and a rice buyer who moved to town in search of better economic opportunities when they could no longer compete with the intensified Masagana program. They took with them their economic resources, their management skills, their vast network of urban contacts, and their familiarity with the ins and outs of life beyond the village. They took with them their leadership, their optimism, their innumerable experiments and new projects, their families so active in civic affairs, their celebrations open to all, their stories about travel elsewhere in the country, not to mention their stores, moneylending services, their jeeps, television sets (available to everyone each evening), and their congenial characters. One old man, no longer able to walk to the fields, must now assume leadership there.

The private sector serving the countryside is part of a complex and vibrant social *ecology* comprising numerous organisms well integrated into the environment. Over time these very flexible "middle" men and women are subject to local pressures for change; the living system of which they are a part is patchable. There are in fact *numerous* ways for a small-scale Asian farmer to borrow money, numerous ways to cultivate rice, numerous ways to profit from five acres of land—not just one way as the planners and their funders insist. The multiplicity of options in the private sector allows a family to slip over easily from one alternative way of doing something to another. Surely the problem of how to keep Santa Rina's middlemen *from leaving the village* should pose a far greater worry to the state than how to "eliminate" them.

Of course, many countries much poorer than the Philippines do not enjoy such a lively commercial sector in their villages. In these cases land reform takes away the landlords' services, but no middlemen at all exist to replace them. How can the peasantry in such countries even continue to cultivate the land, much less adopt advanced technology and produce a surplus for the cities, after the landlords withdraw?

Bolivia is a good case in point. After land reform removed the landlords in Bolivia, not even the most rudimentary transportation remained in most rural areas. Few farmers could even read.

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Peasants could hardly look to the government as a middleman, since La Paz was but a din of distant disorder. After land reform, the state launched no agricultural programs at all. The impoverished Indians found themselves entirely on their own. How did the Bolivian peasantry cope in the vacuum created?

Up until the recent coup Bolivia was witnessing an extraordinary flourishing of peasant initiatives of every sort. In the state's perennial anarchy, they had to seize the initiative themselves. Rural organizations had blossomed forth to pool the meager resources of the Andean *altiplano* in spontaneous cooperatives, some of which advertised for professional staff abroad. After the campesinos learned to drive, they purchased trucks in small corporate undertakings, tackling the severe challenges of *altiplano* or jungle agriculture on their own. One group of peasants hired a team of consultants to study the feasibility of a regional farmers' bank; another founded the first viable national association of potato producers; another had replaced the military-appointed staff of the Bolivian coffee board with its own nominees and open channels of accountability. Most small Indian communities began to elect their own slate of leaders to rival one another in self-help school construction and road maintenance, etc. More than 80 percent of the country's peasantry went to the polls, supporting a lively public forum for bringing their needs to national attention. Women's associations sponsored adult education for their illiterate, non-Spanish-speaking members.[14]

These destitute areas needed several decades to pull themselves together through trial and error and the utter necessity of having no one but themselves to turn to. At first their efforts were simple, short-term, highly specific. But success bred confidence. Only in the past five years have they and the nation become aware of what has been slowly gestating in thousands of isolated villages and hamlets since land reform: It is still shaky, and far slower than the integrated and concentrated bureaucracies of Masagana 99, but a richer, more promising foundation for national life.

Today, two massive World Bank "integrated agricultural development" projects are once again at it in Bolivia, doing away with what the private sector and voluntary organizations have built up in the aftermath of land reform, and undercutting the local and regional initiatives that had made such headway. These middlemen simply cannot compete with Project Ingavi and Proj-

14. Devine, D., "An Aborted Democracy," *Worldview*, May 1981, p. 20.

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ect Altiplano Norte—H Street's vanguard for La Paz to take over the countryside.

If there is to be life after land reform, therefore, we cannot look to the state and its funders to provide it. Everything about the planners' and funders' intensified and well-coordinated "packaged" agricultural program is laudable on paper. It is economical, progressive, comprehensive, humane; it does not overlook a single detail; it demands that the government replenish its own coffers, making every program pay; it finally recognizes society's responsibility to the rural sector. And it worked in Taiwan. Surely, the argument runs, "integration" is more efficient than chaos, packaging more rational than piecemeal development, higher yields more desirable than stagnation, supervision better than neglect. Surely, peasants need to be protected, chemicals to be distributed, and rural banks to be supported.

We cannot suggest that in launching one integrated and packaged agricultural program after the other, Third World governments and their Washington supporters *explicitly* conspire to control the peasantry. We could hardly fault the perfection of their geometry (as Burke called it), except that in fitting all the pieces together smoothly, benevolently, and with every calculation of promise, it *concentrates* the power of the state. Although economists, planners, and international funders assure us they are above politics, they consider that a virtue, not a liability, in American and World Bank foreign aid. But were a peasant of Santa Rina to read the policy papers from H Street, he would never entrust his world to such naive savants. In the words of Adam Smith:

> To widen the market may frequently be agreeable enough to the interest of the publick; but to narrow the competition must always be against it... The proposal of any new law or regulation which comes from this order ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous but with the most suspicious attention. It comes from an order of men... who have generally an interest to deceive and even to oppress the publick, and who accordingly have, upon many occasions, both deceived and oppressed it.

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Tales from the Public Sector

Central Planning and Other Traffic Accidents

In the late 1960s, in the days when Wladyslaw Gomulka was boss of the Polish Communist Party, I was an adviser to the Polish Minister of Foreign Trade, Professor Witold Trampczynski. One afternoon, the minister summoned me suddenly. He said that I had to accompany him to the meeting of the Presidium of the State Planning Commission, the highest body of central planning. "Comrade Wieslaw" (Gomulka), the minister told me, was highly concerned about the European Economic Community (EEC). Comrade Jedrychowski, the chairman of the Presidium, would have more to say on this matter. We immediately left for the meeting.

The conference room in the State Planning Commission could accommodate thirty people alongside a long, oaken table, in chairs with high backs. Coffee and bottles of soda water, as usual, were on the table. The chairman, who was also a member of the Politburo and the vice-premier, sat at the head of the table. Close to him, on the right, were the invited "guests." The members of the Presidium numbered eleven deputies. Also participating in such meetings were all the directors of the Commission's numerous departments—although they were not official members of the Presidium—and the "guests," who were usually ministers or vice-ministers heading small delegations of experts and attended depending on the agenda.

Comrade Jedrychowski was an intelligent and well-mannered man, although he was regarded as Stalinist and openly pro-Soviet. (He was one of those who in 1939 "invited" the Soviet Red Army into Lithuania.) In a relaxed but rather loud voice, he began to talk on the matter that brought us together. "The Party leadership and Comrade Wieslaw himself are highly concerned because of the growing discrimination *vis à vis* our exports of manufactured goods to the Common Market," he began.

I was somewhat astonished by this opening. When it comes to many agricultural products exported by Poland to the EEC countries, especially those products included in the Common Agricul-

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tural Policy's scheme, this was true, but nothing new. When it came to manufactured goods, however, there was really no growing discrimination, except that their relative competitiveness was obviously diminishing as a result of the freer intra-EEC flow of goods. But this was a different matter. "Therefore," Comrade Jedrychowski continued, "the Ministry of Foreign Trade is obliged to prepare immediately a list of products that should be shifted elsewhere from EEC markets. . . ."

Whenever nonsense like this came up at these meetings, it was wise never to challenge it. The very fact that the "Party leadership and its boss" were concerned, or were asking for something, meant in practice that this was an order not to be challenged. Everybody concerned could only think how to comply with the "wish" or order and *never* try to deliberate over substance. "Moreover, the Ministry of Trade will prepare a list of items that would replace those being shifted elsewhere," Comrade Jedrychowski went on. "If, however, one would propose to me to include mink pelts on the list, I would not accept that, for such a proposal would necessitate subsidies for the export." Thus ended his introduction.

In Poland at that time, mink farms, mostly privately run, were flourishing. Mink pelts were exported, making many people a lot of money and making the Party leadership very uneasy. The leadership was thinking how to curb this whole business, which, it believed, was unnecessarily subsidized by the state. This, by the way, was not true.

After Comrade Jedrychowski's pronouncement, silence descended on the room. It was not customary for any advisers to ask for the floor, and among the guests, it was only the heads of the delegations who usually spoke, if at all. But a thought shot through my head, and I decided to ask for the floor. When Trampczynski saw my hand go up, he became so upset he kicked my ankle under the table to tell me to hold off. I didn't. Comrade Jedrychowski was astonished. Trampczynski's face whitened.

"Comrade Premier," I began, "how is it possible that the mink pelt would have to be a subsidized export? In the United States this is a most successful business. The naturally pink mink pelt for one fur costs $70,000, and mink farmers prosper." As a matter of fact, I had read something like that somewhere. But whether I remembered the figure correctly, I wasn't really sure.

The silence in the room was now total. Many looked at me in horror. Not only had I broken an unwritten rule, but I had opened up a subject for discussion that no one knew much about, if anything at all. Jedrychowski looked highly disturbed.

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"How much do they get? You say $70,000?" he asked.

"Yes, $70,000," I replied without hesitation.

"And you say those pelts are naturally pink?"

"Yes, naturally pink," I shot back.

"Well, that is highly interesting. I never heard about anything like that. Ours sell for something like one-seventieth of that price, but they are not naturally pink," he said, in a voice now clearly saddened. "I will have to look into the matter," he ended, visibly not inviting anybody to speak further on the matter. No one wanted to either.

Jedrychowski was so perturbed by the news he heard that he was itching to change the subject and, without further explanation, announced the next item on the agenda. As this completed *our* business, Trampczynski and I left the room. Now Trampczynski was happy and shook my hand, thanking me for my intervention. He knew only too well from experience that the ministry under him was not obliged to do anything on the matter very soon, and it might never have to.

Garbage in, Garbage out

About two weeks later, Deputy Minister F. Modrzewski, Acting Minister in Trampczynski's absence, phoned me and nervously explained that I should immediately come to his office. When I arrived, Modrzewski, looking very worried, handed me a thick document and said, "Read this please. I do not understand a word of it, but the fact is that in less than one hour we are supposed to attend the meeting of the Commission's Presidium, where this paper will be discussed." I rushed back to my office to look into the paper. It was prepared by one of the departments of the Commission. I knew the director of that unit, but I did not know who really prompted him to write it. Most likely it was his own initiative, as there always has been some rivalry between the Commission and the ministries subordinated to it. The Commission was somehow trying to prove how much better and wiser it was than the ministries.

The paper, which, it turned out, reopened the whole issue of exports discussed at the earlier meeting, was full of models, curves, symbols, and differential calculus. At that time econometrics was the vogue in Poland, and whatever the project, it was necessarily full of econometrics. It didn't help, but only confused the matter. Many people did not know how to read such papers, although they would never admit this publicly. So the issue, thus complicated, never led to any clear conclusion. I really had no

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idea what the document was proposing. Nonetheless, Modrzewski and I rushed off to the Commission.

When we entered the room, I realized that the meeting would be chaired by Tadeusz Gede, Jedrychowski's first deputy, an ill-tempered man, known for sometimes insulting gatherings. But despite being boorish, Gede knew something about mathematics. He always made use of his slide rule to check various figures in any document presented to him. Knowing how hastily the papers were sometimes prepared, he never trusted any of the figures. The results were often grossly incorrect, because of calculating or simple typing errors.

When Modrzewski and I arrived, Gede was, as always, busily checking the figures in the document. He did not even look at us. Judging by his red face, this time even redder than usual, I knew how angered he was with the paper to be discussed. Suddenly he shouted in our direction: "Comrade Modrzewski, what can you say about this paper?" thus signalling to everybody that a new item on the agenda had begun.

Modrzewski, a very intelligent and experienced man, with good manners and quick reflex, immediately answered: "I brought a mathematician with me, Dr. Rurarz, who has some observations to make."

I was not expecting this. I was never a mathematician, although I had some general knowledge of it. Nevertheless, this was no time for explanations.

"Comrade Chairman," I started, "this is an interesting paper, but in foreign trade there are too many variables and, besides, too much depends on how one feeds the models. As the Americans say, 'garbage in, garbage out.' " As I said this I was looking straight into Gede's eyes and watching for his reaction. Obviously I had hit the mark. Nervously wringing his hands, he could barely wait for me to finish.

"Yes, you are absolutely right!" he interrupted me, yelling. "Comrade Director, what do all these figures mean? What is this A to B like Y to Z? I will tell you what. It is like H to D!" Phonetically these symbols in Polish have a direct sexual meaning. Everyone in the room grasped the point. There was even an uproar of laughter. Only the poor director was pale and not laughing.

"This is trash! I close discussion on the paper," Gede ruled.

The meeting, for Modrzewski and me at least, was over. We happily left the room, hardly saying "good-bye." Modrzewski thanked me warmly in the corridor for bailing him out of trouble.

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I did not even complain that he put me on the spot. I liked him, and I knew he had to do it.

A couple of days later, the director who authored the paper phoned me to ask whether I had any idea on how to prepare a new paper. Because there was no decision that the Ministry of Foreign Trade was responsible for preparing it, I, naturally, was uncooperative. The matter later sank into oblivion. It ended without any explanation as suddenly as it had started. We were quite accustomed to all this: even when something was not dropped, we knew that one day it might be dropped, or at the very least, the matter would lose its importance. The daily activities of the central planning authorities managed to keep all the subordinate bodies busy, but the only result was to confuse everybody, to consume time, and to lead nowhere.

Many people in the West take central planning very seriously. Others say it doesn't work. But my almost thirty years of experience with central planning has led me to another conclusion: it doesn't even exist.

Zdzislaw M. Rurarz

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Reviews

The Uses of McCarthyism

THE LIFE AND TIMES OF JOE MCCARTHY: A BIOGRAPHY. *By Thomas C. Reeves.* (Stein and Day, New York, 1982) $19.95.
NAMING NAMES. *By Victor Navasky* (Viking Press, New York, 1980) $17.95.

Thirty years after his meteoric rise to fame and power as the nation's most conspicuous anticommunist political leader, Joe McCarthy continues to possess a morbid fascination for students of American politics. Though he has been dead for a quarter of a century, and though in his lifetime he was the founder of no organized political movement, McCarthy in a sense still influences our public life. This is perhaps most evident in the fact that since the 1950s there has been no more malign epithet in our political vocabulary than the term "McCarthyism." It has been used with effect to describe political groups from the far right in the early 1960s, to the far left in the late sixties and early seventies.

Most of the time, McCarthyism as a symbol of irresponsible political action has been employed in regard to domestic issues unrelated to the question of national security that provided the context for the emergence of McCarthyism in the early 1950s. Of late, however, the charge of McCarthyism has been made in circumstances that suggest a parallel to the situation that existed in the postwar period. The symbol of McCarthyism has acquired renewed currency on the noncommunist left as an instrument for discrediting proposals for dealing with the problem of terrorism. This revival of the McCarthyism symbol takes place against the background of, and is informed by a theory of, Cold War political history, advanced in recent years by New Left historians, which has redefined the historical meaning of McCarthyism in accordance with the political and ideological needs of the left. In order to understand and evaluate the meaning of McCarthyism as it is used by the left in the 1980s, it is pertinent first to consider this body of revisionist historical writing.

A brief review of McCarthy's changing historical image since the 1950s provides a necessary perspective in which to consider the New Left view of McCarthyism. The earliest critical accounts regarded McCarthy as a coarse demagogue, and McCarthyism as demagoguery trading on exaggerated charges of communist subversion in the government. McCarthy used the "big lie" technique, relied on anonymous informers, and generally attempted to govern by slander and denunciation protected by the congressional immunity he enjoyed. Moveover McCarthy's use of the communist issue was seen as cynical and opportunistic; his real purpose, critics said, was to destroy liberalism and suppress political dissent. Thus McCarthy did not appear to be a committed anticommunist, and McCarthyism was defined narrowly with reference to

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the tactics of political intimidation that the Wisconsin senator employed so effectively.[1]

Comparable in its directness and simplicity was the conservative defense of McCarthy. According to William F. Buckley, Jr., and L. Brent Bozell, Joe McCarthy was a dedicated if occasionally overzealous enemy of communism, who performed a vital and constructive work as a kind of national "prosecutor" of subversives and brought a new skepticism to the internal security field. Denying that McCarthy's investigations interfered with constitutional liberties, conservatives viewed McCarthyism as the quest for a national orthodoxy that excluded communism from the range of acceptable political action and association. "In a Communist-haunted age," wrote a conservative supporter, McCarthy satisfied "the deep national hunger for an affirmative man."[2]

In the mid-1950s a number of liberal scholars offered a socio-cultural explanation of McCarthyism that had a persuasive appeal for many intellectuals. According to Daniel Bell, Richard Hofstadter, and the other authors of *The New American Right* (1955), the McCarthy movement was based on the support of ethno-religious groups, new rich businessmen, discontented elements of the upper class, and assorted antiliberal intellectuals. Motivated by status anxiety, these groups were said to have satisfied their desire for political influence, social acceptance, or recognition as full-status Americans by identifying with Senator McCarthy's attacks on the eastern liberal governing establishment.

This interpretation of McCarthyism contained two salient political points. First, it defined the McCarthy phenomenon as a form of mass politics rooted in native American populism which encouraged destructive antipluralist tendencies and was potentially totalitarian in nature. McCarthy's willingness to attack all who opposed him, his disregard for constitutional procedures, and his irresponsible use of power marked him as a pseudo-conservative who posed a threat to the rule of law. Second, pluralist critics concluded that McCarthy's anticommunism reflected no genuine ideological commitment, but was a pretext for the pursuit of other purposes. In fact, argued James Rorty and Moshe Decter, McCarthy caused serious internal conflict among anticommunists, obscuring the real issue of formulating an effective and responsible policy for fighting communism.[3]

Several years after McCarthy's descent into political oblivion and untimely death, a third analysis of McCarthyism commanded attention. It had been apparent all along that McCarthy was a godsend for the Republican Party, defeated once again in the presidential election of 1948.

1. See, for example, Jack Anderson and Ronald W. May, *McCarthy: The Man, the Senator, the "Ism"* (Boston, 1952); Richard H. Rovere, *Senator Joe McCarthy* (New York, 1959).

2. William F. Buckley, Jr., and L. Brent Bozell, *McCarthy and His Enemies, The Record and Its Meaning* (Chicago, 1954); Harold Lord Varney, "What Has Joe McCarthy Accomplished?" *American Mercury*, May 1954, quoted in Earl Latham, ed., *The Meaning of McCarthyism* (Boston, 1965), p. 116.

3. Daniel Bell, ed., *The New American Right* (New York, 1955); James Rorty and Moshe Decter, *McCarthy and the Communists* (Boston, 1954).

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In the 1960s political scientists such as Nelson Polsby and Earl Latham formulated an appealingly simple explanation of McCarthyism based on this fact. According to this political interpretation, the Republican Party, desperate after two decades of Democratic rule, used McCarthy as an instrument for regaining power. It was professional politicians, in other words, who created McCarthyism. Dismissing the ethnic and status-anxiety theory of the pluralist critics, the political scientists examined voting records to show that McCarthy received his principal support from traditional Republican constituencies. So far from being a neo-populist or quasi-totalitarian aberration, McCarthyism reflected the conventional operation of the American political system.[4]

Even a cursory examination of the historical record showed, however, that the storm of controversy that surrounded McCarthy was most emphatically not "politics as usual." On the contrary the McCarthy era, at least for a large number of Americans, was more like a time of civil war, so intense were the hostilities that McCarthyism engendered. Yet the source of this profound hostility was at bottom not so much McCarthy's personality and political methods, exceptional as these were, but rather differing perceptions and evaluations of the communist problem.

With the exception of communists, fellow travellers, and militant noncommunist liberals, explanations of McCarthyism in the 1950s and early 1960s recognized that after World War II the United States faced a genuine threat in the foreign policy of the Soviet Union, in the presence of Soviet espionage agents in the Western democracies, and in the Communist Party USA and its adherents, supporters, and sympathizers. In most studies of McCarthyism appearing after 1966, however, this fundamental fact was denied, disregarded, or minimized into insignificance. It was, of course, the emergence of the New Left and its antidemocratic, anti-capitalist ideology—and the swift acceptance of this ideology among American intellectuals—that explains this remarkable revision of history. What New Left revisionism produced on the one hand was a picture of the Cold War without Stalinism and the communist problem, and on the other hand an explanation of Cold War domestic politics that virtually ignored McCarthy and equated McCarthyism with liberal anticommunism.

The central premise of the New Left view of the McCarthy era was the assumption that the United States—not the Soviet Union and the U.S. equally, and most certainly not the Soviet Union alone—bore principal responsibility for starting the Cold War. According to New Left revisionists, President Truman, rejecting Franklin D. Roosevelt's "progressive" attitude of toleration for the Soviet Union, inaugurated abroad and at home a belligerent anticommunist policy the purpose of which was to win political backing for U.S. economic imperialism. In this view neither the Soviet Union and its espionage agents, nor the Communist Party and its sympathizers and supporters, posed a threat to American security. The

4. Nelson Polsby, "Towards an Explanation of McCarthyism," *Political Studies*, Vol. 8 (Oct. 1960), 250-271; Earl Latham, *The Communist Controversy in Washington* (Cambridge, 1966); Michael Paul Rogin, *The Intellectuals and McCarthy: The Radical Specter* (Cambridge, 1967).

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truth was, rather, that the very existence of the Soviet Union as a socialist state and world power challenged U.S. imperialism. It was against this challenge, argued the New Left historians, a challenge that was not militaristic but economic and political, that America's anticommunist foreign policy was directed.

McCarthyism was the domestic component of this anticommunist global policy. But according to New Left revisionists, McCarthyism began long before the Wisconsin senator began to make headlines, with his wild charges about communists in the State Department. Its starting point was the loyalty-security program of 1947. In the revisionist view, liberal Democrats fashioned the communist problem virtually out of whole cloth as a propaganda tool for frightening the American people into an attitude of hostility toward the Soviet Union. A sweeping internal security program was the means chosen to manipulate public opinion, and the attorney general's list of subversive organizations was the linchpin of the system. Through this device, which was said to have sanctioned the doctrine of guilt by association, the Truman administration attempted to stifle political dissent and curtail civil liberties. New Left historians concluded: "The practices of McCarthyism were Truman's practices in cruder hands, just as the language of McCarthyism was Truman's language in less well-meaning voices."[5]

Politically the New Left view of McCarthyism was an answer to the liberal pluralist argument that the McCarthy phenomenon illustrated the dangers of mass politics. From the revisionist standpoint, McCarthy himself was relatively unimportant, for he merely carried to their logical conclusion the assumptions and methods of liberal anticommunism. Nor was McCarthyism an expression of illiberal tendencies in mass politics. On the contrary, in the New Left perspective McCarthyism was the creation of America's political elites—initially in the Democratic and after 1950 in the Republican Party—who at any point could have halted the irrational and repressive search for communists that dominated American politics in these years. Only when McCarthy turned the anticommunist weapon against the establishment itself did the elites move to stop him.[6]

Although conservatism has provided the active element in American politics in recent years, American historians still generally adhere to the New Left perspective.[7] This is true of Cold War political history, and,

5. Richard M. Freeland, *The Truman Doctrine and the Origins of McCarthyism: Foreign Policy, Domestic Politics, and Internal Security 1946–1948* (New York, 1972), p. 360.

6. Representative works are Freeland, *The Truman Doctrine and the Origins of McCarthyism*; Robert Griffith, *The Politics of Fear: Joseph R. McCarthy and the Senate* (Lexington, Ky., 1970); Athan G. Theoharis, *Seeds of Repression: Harry S. Truman and the Origins of McCarthyism* (Chicago, 1971); Robert Griffith and Athan G. Theoharis, *The Specter: Original Essays on the Cold War and the Origins of McCarthyism* (New York, 1974).

7. See Michael Kammen, ed., *The Past Before Us: Contemporary Historical Writing in the United States* (Ithaca, 1980), and Georg P. Iggers, ed., *International Handbook of Historical Studies: Contemporary Research and Theory* (Westport, Conn., 1979).

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surprisingly, it applies as well to accounts of the political career of Senator McCarthy, which by their very choice of subject matter would seem to contradict the revisionist contention that McCarthy played a secondary role in the anticommunist movement. The continuing appeal of the New Left historical schema for American intellectuals can be seen in *The Life and Times of Joe McCarthy*, the major new work on McCarthy, by liberal historian Thomas C. Reeves.

Mr. Reeves's account, a thoroughly researched, well-written, and exhaustively detailed narrative, in a literary and dramatic sense places McCarthy squarely in the center of the domestic controversy over communism in the 1950s. To this extent it differs from the revisionist orthodoxy. Mr. Reeves's book, moreover, is admirably objective and fair-minded, as evidenced by the favorable reception it has been accorded on both the left and the right.[8] On critical points of interpretation, however, he sticks closely to the New Left point of view.

His biographical portrait of McCarthy is surprisingly sympathetic. McCarthy appears as a charming, good-natured, likable, self-confident, and magnetic person possessed of brilliant political instincts and a genuinely popular manner. Yet from early in his career McCarthy was often ruthless, intolerant of opposition, and willing to use lying, trickery, and slander to gain his ends. Plainly from Mr. Reeves's perspective the latter traits stood out more prominently than the former in McCarthy's public life, especially after the fateful speech in Wheeling, West Virginia, in February 1950. Yet, in an attitude that tends distinctly towards exoneration, Mr. Reeves explains McCarthy's reckless and irresponsible attacks on suspected communists as the actions of an innocent, uneducated, unsophisticated man whose essentially romantic view of life made him "a natural prey" of right-wing extremists preaching militant anticommunism. He asserts that McCarthy, taking up the communist question for expedient political reasons, became a "true believer" obsessed with hunting out subversives and alerting the American people to the communist menace.[9]

Although Mr. Reeves's personal estimate of McCarthy is far more generous and understanding than previous liberal and radical accounts, his analysis of Cold War domestic politics comports with the New Left revisionist orthodoxy. To begin with, he discounts, if he does not entirely dismiss, the communist problem as the decisive factor in shaping the political climate of the postwar era. To be sure, he makes obligatory references to Soviet aggression in Eastern Europe, the Berlin blockade, the Chinese communist revolution of 1949. But he places little credence in the notion that communist espionage and subversion were realistically to be feared in these years, and he gives short shrift to any suggestion that the CPUSA was a potential threat to American security. All the commotion aroused in Congress and the White House over communists in government, Mr. Reeves notes, failed to result in a single conviction

8. See the reviews by Maurice Isserman, *The Nation*, Oct. 2, 1982, and Joseph Sobran, *National Review*, June 11, 1982.

9. Thomas C. Reeves, *The Life and Times of Joe McCarthy: A Biography*, pp. 287–88.

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for espionage—as though that were the only danger posed by communism and the only measure of an effective anticommunist policy.[10]

Furthermore, like New Left historians, Mr. Reeves views McCarthyism as comprehending far more than the political methods of Joe McCarthy. The techniques later known as McCarthyism, he argues, were first developed by the Dies Committee in the 1940s. The Truman administration established the doctrine of guilt by association and violated civil liberties on a wide scale in the loyalty-security program of 1947, and after the Republican defeat in 1948, "cynical and fanatical politicians and interest groups like the American Legion ... flew into a boiling rage that quickly erupted into the second Red Scare." McCarthy, Mr. Reeves states, was but the "temporary instrument" of these forces. Entering upon a stage prepared by others, vulnerable because of his "true believer" proclivities, McCarthy began to take the communist problem seriously. He furthermore contends that at any time before 1954, when the Republican establishment began to feel the sting of his attacks, McCarthy could have been stopped by elite politicians who knew he was lying.[11]

On still another major interpretive issue Mr. Reeves follows the New Left schema in blurring, if not entirely erasing, the distinction between liberal anticommunism and McCarthyism. Finding the key to McCarthy's behavior in the "true believer" syndrome, he implies that to take the communist problem seriously required the sort of suspension of intellect and reason that characterizes the true believer mentality. FBI director J. Edgar Hoover is the only other figure explicitly described in this way, but fanatical anticommunist extremists abound, and Mr. Reeves notes with perplexed dismay that all of McCarthy's opponents—liberal as well as conservative—agreed that communism was a genuine threat to the nation. Thus while Adlai Stevenson could speak eloquently about civil liberties, "he left no doubt about his firm belief in an internal Red peril." And Joseph Welch, the canny New England lawyer who got the upper hand over McCarthy in the televised Army hearings, could call Major Irving Peress "a no-good Communist."[12] The inference to be drawn, presumably, is that all anticommunists were afflicted with the "true believer" neurosis, and differed from McCarthy only in degree.

While liberal historians like Mr. Reeves reflect the continued acceptance of New Left revisionism in academic historiography,[13] radicals have adapted and refined their conception of McCarthyism to meet contemporary political needs. In a general sense these needs arise from the spread of conservative attitudes in the public at large, including the growth of neoconservatism as an intellectual movement and its merger with traditional conservatism. It is clear also that the continued expan-

10. Reeves, p. 206.
11. Reeves, pp. 213, 534-35, 675.
12. Reeves, pp. 452, 632.
13. Other recent works on McCarthy that express a revisionist point of view are Michael O'Brien, *McCarthy and McCarthyism in Wisconsin* (Columbia, Mo., 1980), and Edwin R. Bayley, *Joe McCarthy and the Press* (Madison, 1981).

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sion of Soviet power by military means has made it difficult for the left to appeal to communist or socialist models of political change. Under the circumstances the New Left resorts to attacks on U.S. "imperialism" abroad and corporate capitalism at home. Moreover, it becomes all the more important for the left to discredit anticommunism, both historically in the McCarthy era and in its present manifestation as the framework for dealing with the problem of terrorism. The manner in which the noncommunist left approaches this twofold task can be seen in Victor Navasky's recent celebrated account of the McCarthy era, and in radical attacks on what is perceived to be a new McCarthyism among those who seek more effective means for dealing with the threat of terrorism.

Mr. Navasky's strategy in *Naming Names,* an account of the McCarthy era organized around the investigations of communists in Hollywood by the House Committee on Un-American Activities, is dictated by several factors. Not only has it become impossible at this late date to explain away the crimes of Stalinism, but it has also become difficult to cling to such long-held articles of radical faith as believing in the innocence of Alger Hiss, or denying the basic accuracy of the accounts of ex-communists such as Whittaker Chambers and Louis Budenz.[14] The New Left response to these obstacles has been to attack liberal anticommunists for starting the Cold War and inaugurating McCarthyism, and Mr. Navasky bases his account on this revisionist foundation. His distinctive contribution is to mount a new campaign of moral condemnation against all those—and especially liberals—who testified about communist activity or, in his words, chose to "crawl through the mud" and engaged in the infamous practice of "informing."[15]

As historical setting, Mr. Navasky presents the familiar revisionist picture of the Cold War. He denies that Stalinism provided the main context in which anticommunist policies were adopted; that a genuine communist problem existed in the United States; or that the CPUSA was any different from other American political parties. Concerning the intentions of the Soviet Union in the postwar period, Mr. Navasky is resolutely agnostic. The most he can say about the origins of the Cold War is that it resulted from a conflict of rival imperialisms, both American and Russian.

Having disposed of the key historical problems, Mr. Navasky turns to his main endeavor—attacking those who testified about communist activity in the United States. He does so on the basis of a new theory of ethics—and of politics—in which "informing" is regarded as a heinous act, to be condemned as severely as murder, lying, treason, theft, and incest. Of course, Mr. Navasky notes that the presumption against informing is not absolute—those who informed against Richard Nixon, he observes, did the right thing—but he treats it as an unpardonable transgression in relation to the communist question. Ignoring well-established ethical

14. On the Hiss case, see Allen Weinstein, *Perjury* (New York, 1978). Concerning the testimony of the former communists, see Herbert L. Packer, *Ex-Communist Witnesses: Four Studies in Fact Finding* (Stanford, 1962).

15. Victor S. Navasky, *Naming Names*, p. xiii.

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arguments and legal rules approving and requiring citizens to give information concerning criminal matters and to speak truthfully in politics, Mr. Navasky simply denies that the communist problem provided a legitimate context in which to give information about anyone's political associations and activities.

Mr. Navasky attends only briefly to the informing function of ex-communists and covert FBI agents, who have been dealt with in previous works. His chief target rather is the "liberal informer"—writers such as James Wechsler, Elia Kazan, and Budd Schulberg, who testified before the congressional committees, and organizations such as Americans for Democratic Action, the American Civil Liberties Union, and the Committee for Cultural Freedom, which imposed sanctions against communists. Mr. Navasky says these liberals were merely trying to save their political skin by demonstrating their anticommunist credentials. They thought they were saving liberalism but actually they were abandoning it. They were, he declares, waging sectarian warfare against the Stalinists by using the Stalinist tactic of betrayal. "The informer's highest claim to virtue is that he told the truth," Mr. Navasky continues, "but we learn that as a class they were involved in a fiction." In general this was the fiction or myth of the communist menace; in particular, "the lie was that they were telling all when they only told some."[16]

Whereas other leftist writers have compared the anticommunist policy of the postwar era to the Stalinist purges,[17] Mr. Navasky likens it to Nazism and the concentration camps. It would be excessive, he writes, to say that liberal organizations which placed sanctions on communists or testified about communist activity were " 'playing the Kapo role,' but it would be obtuse to ignore that they were doing the authorities' dirty work."[18] Though conceding that McCarthy was not Hitler and that blacklist victims obviously suffered less than the victims of the camps, Mr. Navasky nevertheless finds the analogy compelling. For "the mechanisms of repression underlying McCarthyism had something in common with the mechanisms of repression of both fascist and Communist bureaucrats—namely, the joining of cultural, corporate, and political forces of domination. . . ."[19]

If this means anything more than the trite observation that systems of control depend on the dominant forces in society, if it is intended to mean that Cold War America was a totalitarian society, it is a pernicious falsehood. Yet there can be little doubt that this is the point Mr. Navasky wishes to make. For he is quick to point out, not the differences between the political ideas and practices of the United States and those of the totalitarian states, but rather, as it appears to him, the profound difference between communism and fascism. The values of the two rival powers were diametrically opposed: communists identified with the weak and spoke the language of social justice, while fascists identified

16. Navasky, p. 425.
17. David Caute, *The Great Fear: The Anti-Communist Purge under Truman and Eisenhower* (New York, 1978).
18. Navasky, p. 408.
19. Navasky, p. 411.

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with the elite and spoke the language of racism and violence. Can there be any doubt as to which of these systems Mr. Navasky prefers? The simplistic rhetoric of anticommunism, he sententiously concludes, "should be replaced with a vocabulary that frankly acknowledges that the identification of a totalitarian, like the identification of a pluralist, is but the beginning of a set of presumptions from which one must always struggle toward the truth."[20]

As is apparent, Mr. Navasky's book serves as a useful guide to the political values of the noncommunist left in the 1980s. In general terms, of course, Mr. Navasky and his fellow liberals and radicals endorse "socialist-humanist" values, which they believe are the only true basis for creating a genuine sense of community. Yet it is not any particular socialist model that provides the focal point of New Left political agitation, however attractive Cuba or China may be for certain purposes. The central and unifying theme, the positive good that they desire, is rather the defense of civil liberties in the United States.

Mr. Navasky identifies himself most conspicuously with the tradition of civil libertarianism, which he regards as the very essence of American nationality. He is fond of pointing out the deep commitment of the liberal left to what old-line Marxists disparagingly describe as "bourgeois liberties." In a political sense, however, left-wing libertarianism since the start of the Cold War has served mainly to deflect criticism of, and obfuscate judgments about, communism. Like most libertarians, Mr. Navasky cannot see the forest for the trees: he cannot see that freedom of speech and of the press and other legal rules specifying particular rights and immunities are not ends in themselves, to be treated as absolutes, but rather are means for the preservation of civil liberty—the condition of political freedom under institutions of republican self-government, which is the defining characteristic of American nationality.

Failing to understand this, or choosing to ignore it, the left argues that in the McCarthy era it was necessary to insist on the defense of communists' constitutional rights. For what was "at stake," Mr. Navasky writes, "was not the well-being of the Communist Party, but rather the rights of all Americans and the well-being of the First Amendment." Mr. Navasky's message seems to be that if we faithfully uphold the First Amendment (in its proper libertarian meaning) and are willing "to tolerate a little subversion" as "the price of freedom, dignity, and experimentation," all will be well with the republic.[21]

More original than this hackneyed libertarianism is his elevation of personal friendship into a preeminent political value. According to Mr. Navasky, the anticommunist witnesses of thirty years ago violated this sacred value, and thereby destroyed social trust and the possibility of true community. Reversing the 1960s slogan that "the personal is political," he seems to reduce the political to the personal. Unwilling or unable on political grounds to defend those who, when asked about their Communist affiliations, invoked the Fifth Amendment, he resorts to specious ethical philosophizing.

20. Navasky, pp. 411-412.
21. Navasky, pp. 306, 333.

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Consider Mr. Navasky's explanation of how, had he been a participant in the events of the early 1950s, he would have advised those who were asked to testify before congressional committees. He tells us he would have urged radicals to defend their past political activities, on the ground that they would suffer whether they talked or not, and also because society had something to learn from their account. But to reason thus, Mr. Navasky adds, is merely a post-hoc political judgment, which must yield to the fact that in the time of McCarthyism "resistance became identical with morality."[22] In other words, refusal to testify about communism is to be regarded as a moral rather than a political act. The result is an astonishing transvaluation: those who gave information about communist activities are judged to have betrayed both friends and community, while those who kept silent are found to have been virtuous and moral.[23]

Prepared to judge individual behavior on the basis of a transpolitical personal ethic, Mr. Navasky nevertheless refrains from ethical evaluation of the Soviet Union. The central issue in the McCarthy era, he asserts, was not whether Stalin's deathlist was worse than the anticommunist blacklist; of course it was. The key question was "whether to fight the deathlist it was necessary to support the blacklist, whether collaboration with the American informer system was the price of fighting the Soviet gulag system."[24] Mr. Navasky seems plainly to imply that it was not. Yet one wonders how the libertarian left who so clearly provide inspiration for Mr. Navasky and the noncommunist left today—men such as I. F. Stone, Carey McWilliams, H. H. Wilson, and Thomas I. Emerson—fought against Soviet tyranny. These liberals, Mr. Navasky explains, "refused to advertise their reservations about Communism" because to do so would have been self-serving (again, these are virtuous men!), and because it would have weakened the civil liberties of all Americans.[25] We may conclude, then, that the noncommunist left fought Stalin's gulag by opposing any interference with communists' civil liberties and by refusing to talk about communist activities!

Whether the New Left's political and ideological needs influence its historical revisionism or its revisionism shapes its view of contemporary issues, the left today approaches the problem of international terrorism precisely as it dealt with the communist problem in the postwar era. According to this analysis, international terrorism is the new myth, replacing the menace of communist subversion, that is used by the forces of a new McCarthyism to frighten public opinion and weaken American de-

22. Navasky, p. 421.

23. In his introduction to Lillian Hellman's *Scoundrel Time*, Gary Wills anticipated this "ethical" defense of those who refused to testify. The refusal of Miss Hellman and others, Mr. Wills wrote, was based on a personal code rather than on political ideology. It was the Cold War liberals, choosing to cooperate with the congressional investigators, who used ideology as an escape from personal responsibility. *Scoundrel Time* (New York, 1976), p. 26.

24. Navasky, p. 311.

25. Navasky, p. 50.

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mocracy. As in the late 1940s, heightened concern for internal security is seen as a pretext behind which America's conservative elites seek to restrict civil liberties and suppress grass roots opposition to their rule.

Although most observers would agree that international terrorism has been a major problem since the late 1960s and that it constitutes a serious threat to domestic peace in the United States, the noncommunist left denies this fact. "A commodity in enormous demand," writes libertarian lawyer Frank J. Donner, the left's acknowledged expert on the subject, "terrorism is in pitifully short supply."[26] Bombing incidents may occur in the United States, but these are viewed as isolated events unrelated to international terrorism. We are assured, moreover, that while some protest groups espouse violence, most are ideologically committed to nonviolence and hence pose no potential threat of terrorist activity. In this view there is no connection, no dynamic continuum among protest organizations that might possibly result in the proliferation of terrorist undertakings.[27]

This analysis seems as willfully purblind as the noncommunist left's perception of the communist problem in the postwar period. It is accompanied, moreover, by equally false descriptions of a new McCarthyism in American politics, said to be evident in the establishment of the Senate Subcommittee on Security and Terrorism, the introduction of antiterrorist training programs by the FBI, the Heritage Foundation proposals for reforming domestic intelligence operations, and so on.[28] The renewed concern for internal security measures to deal with terrorism, however, is not a revival of McCarthyism, any more than liberal anticommunism in the 1950s was the equivalent of McCarthyism.

The essence of McCarthyism was not anticommunism, but a recklessness in the choice of means that violated standards of civility and fair play and tended ultimately toward lawlessness. This was the meaning assigned to McCarthyism initially, and the meaning it has retained in ordinary political discourse as applied to a wide variety of political groups and individuals. To define it otherwise requires an utter disregard of the historical record. A serious communist problem existed in the postwar era, and the Truman and Eisenhower administrations dealt with it through programs that respected the requirements of constitutional law. Similarly, those who today propose improved methods of dealing with terrorists are concerned to maintain constitutional safeguards for civil liberties. This fact is apparent to anyone willing to admit that civil liberties concerns are not the exclusive property of the radical and liberal left. Indeed, Mr. Navasky himself, while raising the specter of a new McCarthyism, is forced to concede that the advocates of anti-

26. Frank J. Donner, *The Age of Surveillance: The Aims and Methods of America's Political Intelligence System* (New York, 1980), p. 457.

27. Frank J. Donner, "Rounding Up the Usual Suspects," *The Nation*, August 7-14, 1982.

28. Jay Peterzell, "Unleashing the Dogs of McCarthyism," *The Nation*, Jan. 17, 1981; Victor S. Navasky, "Security and Terrorism," *The Nation*, Feb. 14, 1981.

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terrorist measures are sensitive to civil liberties requirements.[29] The question, then, is not whether civil liberties guarantees are to be upheld, but whether, in a society that gives scope to every imaginable form of political opinion and association, it is not prudent as well as constitutional to do more than wait for "overt actions" to occur that destroy civic peace? Most Americans would agree that it is.

In 1968, at a time when popular front thinking once again prevailed on the left, Walter Goodman, an anticommunist liberal who was critical of McCarthyism, admonished New Left protesters that the problem raised by Stalinism in the 1930s would not disappear in the post-Stalinist era. He referred to the question of how a liberal democratic society ought to deal with totalitarian groups whose ideology and methods of political action make the destruction of democracy their goal. "Is it becoming for men who champion freedom in its full variety," he asked, "to make common cause, even in the noblest pursuits, with the champions of totalitarianism? Is it moral? Is it practical?"[30]

These questions persist in an age of international terrorism. Indeed, they become all the more pertinent when it is recognized that terrorism has not superseded the communist problem but has been superadded to it. Terrorist acts are not the natural outgrowth of an irresistible desire for social justice; frequently they are encouraged and supported by the Soviet Union, as even some leftists have conceded.[31] And yet the noncommunist left, invoking the same myopic libertarianism that it has relied on for over thirty years, persists in obscuring the realities of terrorism, even as it avoided coming to grips with the realities of communism.

With a great pretense of ethical rigor and sophistication, Victor Navasky rejects what he calls the "Fallacy of the Greater Evil"—the belief that although testifying about communist affiliations presented

29. Mr. Navasky has acknowledged Senator Jeremiah Denton's awareness of civil liberties requirements, and has further admitted that the issues raised in the Heritage Foundation report on intelligence constitute a genuine legislative agenda, unlike, in his opinion, the anticommunist legislative activities of the 1950s. The danger of the new McCarthyism, Mr. Navasky argues, is not that congressmen and federal officials will use crude smear tactics to defame liberals and radicals, but that they will provide "lateral encouragement" of antiterrorist security consciousness among private, quasi-public, and state agencies. Ultimately what is most to be feared, asserts Mr. Navasky the moralist, is the tendency "to legitimize the illegitimate, to make respectable that which was previously done only under cover because it was fundamentally shameful." Citing as example the FBI counterintelligence program for dealing with communist subversion in the late 1950s, he implies that counterterrorist measures of any sort would be morally indefensible. Navasky, *The Nation*, Feb. 14, 1981. For discussion of constitutional and political aspects of anti-terrorist proposals, see David Martin, "Investigating the FBI," *Policy Review* No. 18 (Fall 1981), pp. 113-132, and Samuel T. Francis, reply to Frank Donner, *The Nation*, Sept. 25, 1982.

30. Walter Goodman, *The Committee: The Extraordinary Career of the House Committee on Un-American Activities* (New York, 1968), p. 487.

31. Beau Grosscup, "The Neoconservative State and the Politics of Terrorism," *New Political Science*, No. 8 (Spring 1982), p. 49.

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certain difficulties, communism was a greater evil which needed to be exposed.[32] One assumes that the noncommunist left's approach to the problem of terrorism is not guided by positive approval of either the means or the objectives of terrorist groups. But it is a fair question to ask whether the left, in its ritualistic libertarianism and false cries of McCarthyism, does not in effect adopt the position that tolerance of terrorism, whatever it may bring, is the lesser of two evils when compared to the support of democratic capitalism.

Herman Belz

32. Navasky, p. 285.

In the Belly of the Beast

NOTES OF A REVOLUTIONARY. *By Andrei Amalrik.* (Alfred A. Knopf, New York, 1982) $16.95.

Memoirs are not what one would first read to determine what national policy to formulate. But sometimes the reading of memoirs can be a valuable activity for those persons, inside and outside the government, whose minds are usually preoccupied with policy matters. Indeed, I have occasionally wondered what American policy toward the Soviet Union would be if our policy-makers were steeped in the writings of Soviet dissidents. (There is no question what it would be if those dissidents were accepted as authoritative: there would be no detente.)

Because persons working with foreign policy have very busy schedules, they are likely to find no time for such a seeming luxury as reading memoirs—or novels, for that matter. There is a danger in that attitude. Foreign policy, especially *vis-à-vis* the Soviet Union, is a "macro" sort of thing. But it always impinges upon and has (or should have) as its ultimate referent individual persons: "micro" sorts of things. The policy-maker who neglects to think about individual human beings is prone to formulating policy that turns out to be inhumane.

One good way to get a feel for those individuals who comprise the Soviet Union, a goal which can never be attained through the reading of even the most astute scholarly treatises, is to read memoirs by Soviet dissidents. These are legion: Solzhenitsyn, Nadezhda Mandelstam, Panin, Bukovsky, and on and on. They provide the concreteness needed to supplement the abstractions of scholarship. They serve to make human the subject of study—and in a very poignant way.

To this burgeoning literature comes now a new and worthy addition, *Notes of a Revolutionary* by Andrei Amalrik. This nondescript title comes from the one who more than a decade ago gave us the provocative little book *Will the Soviet Union Survive until 1984?* This new book is much better than its title. It has similarities to his *Involuntary Journey to Siberia.*

Amalrik was one of a goodly number of Soviet intellectuals who, after having spent time in those Soviet concentration camps to which Sol-

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zhenitsyn has given the memorable label Gulag Archipelago, eventually made his way to the West. In November 1980, while on his way to testify at a conference investigating compliance with the Helsinki Accords, he died in a car crash near Madrid. He was a mere forty-two. Before he died, he completed the work here under review. A book on geopolitics, two books of memoirs, and a book of plays—these make up his main written legacy. More important than these is the legacy of his indomitable human spirit, which we can cherish especially through his final book.

A better title for this volume would have been *Notes of an Outsider*. Amalrik belonged to no party, no faction. He said that, even within the dissident Democratic Movement, in which he played a significant role, he considered himself an outsider. So how could he flourish in "a country where the individual is nothing and the system is everything"? Of course, almost all Soviet dissidents are genuine individuals, confident of their personal purpose. Amalrik was an individual*ist*. He spoke for no one else. But the main thing to be grasped here is that such a creature could come to us from the Soviet Union, that enforcer of collectivist depersonalization. His case tells us something important about human nature.

His case is all the more moving because he stood up to his official persecutors in the face of physical infirmity, which, during his years of incarceration in the Gulag, brought him to death's door. His refusal to cooperate with his tormentors is documented here in almost a diffident—but convincing—manner. As one young thug in prison said to him, "You're a nervy guy."

The focus of this work is naturally on the personal story of Amalrik himself—with a prominent role for his wife Gusel. We read of the duplicitous suggestion that he was a KGB agent. We hear him repeatedly charged with being a Jew—than which there is no more serious accusation in the land of international brotherhood. We follow him through prison and its agonies. This prisoner passes a "message to the world" from his mouth to his wife's during an illicit kiss; she must swallow it, later vomit it up, then copy it, and distribute it. We see him on hunger strikes. We watch him renounce his citizenship, which, like a true Russian, he values.

One of the special pleasures in reading Amalrik is to observe him using the words of Soviet heroes against his official persecutors. To wit:

> "Andrei Alekseyevich," Colonel Tarasov said to me, "certain difficulties have come up in connection with your apartment."
>
> To which I replied, looking the colonel straight in the eye: "Comrade Stalin taught that there were no strongholds that the Bolsheviks could not capture. You must learn to overcome difficulties."
>
> Kilomiychenko brushed nitpicking objections aside with a wave of the hand, saying, "But these are mere trifles, Andrei Alekseyevich!"
>
> "Ah," I came back. "But Comrade Stalin used to say you should never neglect little things, because great things are built up from small ones."

Still in all, the value of these memoirs is not limited to Amalrik's anecdotes about himself. For instance, the feisty author has a playwright's eye for the comical. An Armenian woman who had come with

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her husband to Russia from Lebanon, now disillusioned, asks for and receives permission to leave. But she complains that they cannot take their gold with them. Amalrik asks if they were foolish to come. "Yes," she replies. "Are they now sensible to leave?" "Yes." Says the mordant Amalrik, "Well, that's why they're taking your gold—because they made you fools into sensible people." Or, take the case of Siberian peasants, unfamiliar with indoor plumbing, who are told that in Moscow there are apartment buildings thirty stories high. Finally, a shrewd one asks, "If people live thirty stories up, how do they get outside in a hurry when they have to sh*t?"

Memorable stories about himself or others are not all that this book offers us. Of the many possibilities for rehearsal, we shall limit ourselves to three: analysis of the Soviet system as it operates on the grassroots level, insights into the Democratic Movement, and opinions of other dissenting Russians.

As for the first of these, one could focus on the prisons. But whether or not one did so would make no difference; for, as Amalrik notes, "...the USSR is a spiritual prison for all its peoples." He further observes, "Neither Americans nor Europeans realize that the Soviet leaders have the mentality of thugs." In concert with other dissidents, the author shows case after case in which human beings are dehumanized in the prisons, in the courts, in the streets, in the residences, everywhere. Even the little man or woman can never retreat beyond the reach of the long arm of the Bear's "law." Particularly depressing is the inability or unwillingness of Western correspondents to see the realities of the situation.

Westerners receive conflicting reports about the dissident movement. Amalrik, a sometime activist, shows that, as an organized force, it is small, is sometimes disunited, and suffers defections when some are not strong enough to stand up to state torture. But he also shows that the rejection of the system and especially of the ideology upon which it is based is deep and broad and will prove enduring.

Some of Amalrik's most absorbing pages are those in which he records his attitudes toward other dissidents. Among others, he generally praises (though never uncritically) Shcharansky, Ginzburg, Orlov, Turchin, and Voinovich (especially his *Adventures of Ivan Chonkin*). Petr Yakir and Victor Krasin are lamented for caving in. The much-beloved Sakharov, he considers, respectfully, a "tragic figure" who lacks charisma and is a poor tactician. Amalrik mercilessly finds Nadezhda Mandelstam "spoiled by a kind of senile spitefulness," though "many of her judgments coincided with my own." Igor Shafarevich is treated surprisingly coolly. Roy Medvedev is, unsurprisingly, called pedantic, lukewarm, also arrogant—and with "no real following."

Then, there is Amalrik's attitude toward the magisterial Solzhenitsyn—much lionized, much maligned, little understood. Amalrik prizes Solzhenitsyn as an individual and as a writer, but he disagrees with him as an "ideologue." He is "in full agreement" with what Solzhenitsyn has said "about the lack of political purposefulness in the West" and correctly characterizes him as a leader of "*moral* opposition." But he

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laments what he calls Solzhenitsyn's "romantic conservatism" and thinks that the master has "ended up on the right wing of Slavophilism." He has no doubt about the importance of *The Gulag Archipelago*.

What shall we make of these opinions? Of course, we can readily see how independent Amalrik is. We can also see how diverse a group is formed by those who in the West are lumped together as dissidents. But should readers in free nations want to find anything else? It is remarkable (and satisfying) enough that Soviet dissidents differ from one another. What is perhaps even more remarkable is the consensus that pervades this disparate group when the question is that of the valuing of human beings. Here Solzhenitsyn and Amalrik (and others, too) sound alike. "Yet there is a line that every honorable person not only can but must draw: the line of nonparticipation. If you can't be against the system of coercion, at least don't be for it!" Amalrik made that statement. It could almost have been Solzhenitsyn's. Differences in style and in details of belief among Soviet dissidents pale into relative insignificance when we see their common championing of the human spirit in a dehumanized setting. (Solzhenitsyn and Sakharov demonstrated this point admirably and amicably when they argued back and forth in public print a few years ago.)

For my part, I am not moved by Amalrik as I am by Solzhenitsyn, Sakharov, N. Mandelstam, and Bukovsky. He is sometimes almost too detached and ironic, often too cocksure. But I *am* moved. He is another witness to the ability of human beings to endure in unspeakable conditions. Never does he offer us Solzhenitsyn's white heat, but always does he uplift the spirit. His book is much worth reading—and by policymakers as much as by any. In Solzhenitsyn's *One Day in the Life of Ivan Denisovich*, the title character remarks that it is hard to make a warm man feel the cold. Here is a final word from Amalrik: "The inability of most people to feel the pain of others as if it were their own is what makes evil possible."

Edward E. Ericson, Jr.

Variable Forecasts

GLOBAL INSECURITY. *Daniel Yergin and Martin Hillenbrand, eds.* (Houghton Mifflin, Boston, 1982) $15.95.

THE COMING BOOM. *Herman Kahn*. (Simon and Schuster, New York, 1982) $14.95.

Will the glib and gloomy forecasts of the West's imminent demise ever end? *Global Insecurity*, edited by Harvard's Daniel Yergin and Martin Hillenbrand, who directs the Paris-based Atlantic Institute, is an appropriate addition to the tradition. And in their choice of energy as a topic—mainly petroleum—the authors have chosen an appropriate subject. The book's thesis, according to the authors, is "crisis and adjustment, and the race between the two." They are referring to the dual needs of the globe to maintain economic growth and to master the en-

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ergy problem. And, in their view, the real issue will be whether the world is up to the challenge. Throughout twelve chapters, whose authors are drawn from Japan, Western Europe, and the United States, these two themes are repeated. The book begins with an examination of our present plight ("Crisis and Adjustment," by Dr. Yergin), and an analysis of "World Energy to the Year 2000" by Roger Stobaugh, professor of business administration at Harvard. The remaining chapters deal with America's, Japan's, Europe's, and the Third World's adjustment to the energy crisis. Along with these treatments are two geopolitical essays: "Cohesion and Disruption in the Western Alliance" by Robert J. Lieber of Georgetown University, and "Energy and the Power of Nations" by Ian Smart, an adviser on international energy affairs.

What are the writers of *Global Insecurity* telling us? Their basic message is that the world must learn to adjust itself to a period of declining oil supplies. Dr. Yergin takes particular exception to the policies of the Reagan administration, which, he believes, strongly reinforce the so-called "glut psychology": the feeling that with a drop-off in the prices which OPEC now charges for its oil, many people in the West, but particularly Americans, have fallen into a dangerous complacency. But, Dr. Yergin warns us, the West had better think again about the problem. He maintains that there are three overlapping dangers which threaten global security if the West persists in this illusion: the risk of being caught unprepared to deal with another Iran-type upheaval in the Middle East; the ever-present danger of a larger regional conflict in that region; and, finally, the prospect of expanded Soviet influence among the oil producers.

Of special importance is Professor Stobaugh's follow-up chapter in which the author develops two energy-supply scenarios. One posits a "Lower Bound" below which no geographic region should fall if it has any hope of maintaining its stability. The "Upper Bound," alternatively, represents the most plausible guess about what the world can do if its more ambitious supply needs are somehow met. Another reviewer (William Brown, "Gloom And Doom On Energy," *Fortune* September 20, 1982) sharply criticizes the assumptions that Professor Stobaugh attaches to his scenarios. For instance, Mr. Brown appropriately questions how Professor Stobaugh's lower bound scenario—which will drive up the price of oil to $72 a barrel by the year 2000—can possibly be sustained in economies where demand is chronically weak. A compelling question. And a number of independent analysts, from Exxon to the International Institute for Applied Systems Analysis, seem to come up with projections which diverge a good deal from those of Professor Stobaugh. As if he were anticipating such criticisms, Professor Stobaugh at one point appears to back away from claims that his scenarios are in any sense ultimately scientific. Let's think of them instead, he advises, as "implicit mental models." What does that mean?

To be sure, *Global Insecurity* does provide some useful insights into the severe difficulties facing certain parts of the world. In a well-written and thoughtful chapter on "The Global Poor," for example, authors Althea Duersten and Arpad von Lazar, of the World Bank and the Fletcher School of Diplomacy respectively, paint a depressing picture

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of the non-OPEC world's economic and political prospects. They rightly point out that the OPEC-induced price increases of 1979 alone cost the Oil-Importing Less Developed Countries (OIDCs) $35 billion. What is worrying is not only the amount of money that these unhappy societies are being forced to pay out, but the virtual stagnation of their exports, which the global recession has brought on. And without overseas sales, it is hard to imagine how the OIDCs are going to be able to pay for oil in the future. Meanwhile, the Organization of Petroleum Exporting Countries rolled up their net external assets fifty-fivefold between 1974 and 1981: from $7 billion to $387 billion.

Nor has the West come off well at the hands of the petroleum exporters. Dr. Yergin calculates that "the effects of the oil shocks on the 'big seven' industrial nations...cost these countries $1.2 trillion in lost economic growth (comparing the 1966-73 period to 1974-81)." Moreover, Dr. Yergin points out that other significant indicators of our collective economic well-being have been negatively affected by the tremendous increase in OPEC prices, that is: sharp rises in inflation, growing trade imbalances, and a weakening of domestic political consensus, which, in some measure, rested on the foundation of the welfare state. At the same time, however, other nations have been able to ride out the oil shocks. That is the message of two Japanese writers who explain Japan's success as the result of tight money policy by the nation's central bank, which kept inflation in check during the two import crises of 1974 and 1979, with the help of a remarkable degree of "consensus" between citizenry and government on the appropriate fuel conservation measures.

What is wrong with *Global Insecurity* is that we are given little guidance, much less prescription. To be sure, Dr. Yergin urges the world, and particularly the West, to "adjust" itself to the possibility of long-term oil supply stringencies. Indeed, Dr. Yergin's use of the word "adjustment" seems to be a passion with him. In his second chapter the word shows up on thirty separate occasions. Despite efforts to make us understand what the term means, however, we end up with hollow exhortations—to be "neither hysterical nor complacent" and to "think coherently" about the energy problem. In reality, what Dr. Yergin wants is for all of us to "think a little smaller" than we might wish otherwise to do.

For Herman Kahn in *The Coming Boom*, however, the future is an abundant one, particularly so for the United States. Always willing to take on adversity, he good-naturedly observes that on the day he was sending his newest book to the publisher (Simon & Schuster), "the Dow Jones Average had plunged to its lowest level in about sixteen months....Some sober concern, if not paranoia is justified" in viewing the country's future economic prospects, he continues. But that is the last we hear of it. And within the span of 228 pages, the author lays forth a vision of hope and plenty.

Why is Mr. Kahn such an optimist? The answer is to be found in his vision of the "Super Industrial Economy." This economy "refers mainly to the high rate of innovation in a modern economy," which, in Mr. Kahn's view, will in turn spawn a new dynamism of high technology. In

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the past, Mr. Kahn's predictions have been the butt of savage jokes. But his record in this area is impressive. Consider what he sees for us in the arena of automation. "Picture a sea of terminals of all types and shapes, a sea of receptacles and connectors to provide more harmonious input of human thought into the artificial thought of computers and networks, and input of artificial power into the human world." No sphere of human endeavor will go untouched: energy, environmental protection, food and agriculture, space, medicine and health care, mass transportation, developments in materials, silicon chips, and automation of home, office, and factory. The author, for example, points out that far from exhausting the world's supply of available energy, we are on the verge of creating entirely new sources. The energy "horn of plenty," as he envisions it, for example, will consist of major technological breakthroughs in the development of both fusion (geothermal, solar) and fission energy.

Not that the author is unaware of potential dangers that could undermine his optimistic assumptions. Early on he warns us that many of his hoped-for scenarios are the results of a "Scotch verdict." For practical purposes, this means that "we have information that is considered valid enough for immediate decisions and yet would not satisfy rigorous academic standards."

Reduced to its essentials, he believes that the world cannot possibly survive by subscribing to a doctrine that dooms its inhabitants to diminished expectations and severely reduced growth. He takes issue with the pessimistic prognoses that began with the Club of Rome's highly publicized report, *The Limits of Growth*, and the *Global 2000 Report*, which was prepared for former President Carter. Mr. Kahn asserts that these studies, like *Global Insecurity*, "held that the world is running out of resources, that pollution and other destruction of the environment is nearly out of control, and that management of human society is becoming impossibly difficult." What we need instead, in his view, is an "ideology of progress."

The best way to compare Mr. Kahn's approach to the world's energy and economic problems and those undertaken in *Global Insecurity* is to compare their respective assessments of America's future prospects. In Dr. Yergin's account of the American response to the energy crisis, you get the standard Carterite assessment. "Sharp shifts characterize that response: from sense of crisis to complacency; a strong desire to return to 'business as usual'; a drive to find a technological fix, a miracle solution; considerable difficulty in balancing energy concerns with equity and environmental considerations," and so on. Moreover, Dr. Yergin maintains that the Reagan administration has specifically abandoned any pretense of trying to cope with an alleged era of energy stringency. "It is a risky game to assume that it is possible to return to the energy economy of the 1950s and 1960s and to restore the era of energy abundance, at least as it had been in the past"—a charge that he makes against the current incumbent of the White House. Invoking the spirit of Frederick Jackson Turner, who declared an end to the American frontier in 1890, Dr. Yergin is declaring a similar end to America's era of energy abundance and economic security.

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Not so for Mr. Kahn and his associates, who believe, instead, that the coming American boom will be " 'fueled' by growing supplies of energy which will likely be available at lower real prices as the decade progresses." Mr. Kahn sees America's future energy strengths as a result of "reduced consumption and non-OPEC production."

Mr. Kahn's vision of the United States' capacity to master economic challenges could not differ more from those in *Global Insecurity*. He admits that significant obstacles remain to be tackled: inflation, unemployment, sagging labor productivity, and most significantly, an elite-centered politics of cultural relativism and despair. The heart of these last-mentioned concerns is found in two final chapters, one dealing with the management of an Affluent Democracy, the other focusing on specific methods about how the United States can bring about an era of revitalization. Regarding the issue of democratic management, Mr. Kahn calls for "a regulatory budget which would force agencies to prioritize their goals and, indirectly, assess more carefully the costs vs. the benefits of their regulations."

He does not shy away from calculating the human costs that may have to be borne by society if the U.S. is to conquer its present maladies. But, Mr. Kahn strongly supports the Reagan administration's policies to encourage entrepreneurship—by changing the tax laws to stimulate savings and new investment. Of broader significance, he also advocates U.S. foreign aid policies that emphasize the virtues of capitalism. "Capitalism and rapid industrialization have worked well almost everywhere they have been seriously tried" and "...for most cultures, the poorer a country is, the more beneficial it is, at least economically, for that country to use free-market price mechanisms." Far from excoriating the capitalist world for allowing the economic "gap" to widen between itself and the less-developed countries (LDCs), Mr. Kahn maintains that the very existence of the gap has been a "force toward creating economic upward momentum" in the LDCs.

But in the end, Mr. Kahn's passion for entrepreneurship begins to weigh upon his analysis. He calls for another *Global 2000* type study. Do you have any doubt who he has in mind to lead it?

John Starrels

Western Approaches

THE ATLANTIC CRISIS. *Proceedings of a conference of The Committee for the Free World.* (The Orwell Press, New York, 1982).

GLOBAL SECURITY IN THE 1980s. *Proceedings of the First Annual World Balance of Power Conference, held by nine strategic studies institutes.* (London, 1982).

Will the East-West conflict end in a bang, a whimper, or a triumph for freedom? Is the future of the West symbolized by last year's triumph of a second Joad resolution at Oxford, by the polls which show that between 45 and 60 percent of Germans and Britons would not fight

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for their country, or by the revival of Reserve Officer Training Corps, ROTC, on campuses in America? The answer would seem to hinge on that question of will and morale. The will of the West, in turn, would seem to hinge on three things: shocking the Europeans into their own conventional defense, through whatever combination of inducements or pressures will work, assuaging the fear of nuclear war both in Europe and America, and establishing a positive, forward political strategy that offers the people of the West some hope of triumph over the forces of unfreedom. In 1982, two conferences were held on the Atlantic alliance: one by the Committee for the Free World, and another, the First Annual World Balance of Power Conference, by nine strategic studies institutes.

Three speakers at the two conferences, here presented in book form, who addressed those needs virtually dominated the proceedings. Irving Kristol advanced his NATO revisionist strategy (a gradual withdrawal of U.S. troops to spur a gradual European buildup), familiar to anyone who reads the *Wall Street Journal*—and every speaker from Dr. Kissinger to Mr. Podhoretz to Ambassador Kirkpatrick not only focused remarks around the Kristol plan but warmed to it, to varying degrees and with varying qualifiers. Daniel Graham, former head of the Defense Intelligence Agency, advanced his High Frontier strategy for a defense against nuclear weapons—not only as a superior military approach, but as a more workable political strategy for countering the subtle erosion of Western will under MAD. And Brigadier Maurice Tugwell of Canada outlined perhaps the most compelling argument for, and description of, a forward political offensive by the West that has yet been made. All three strategies confront what is recognized as the crisis of the alliance: the crisis of the will.

Mr. Kristol's case for a European pillar has been popping up throughout the intelligentsia for the last year, but it is still worth reviewing. As regards its conventional stance, NATO as we now know it contains two grave weaknesses. The first is what might be called the tragedy of the commons—a scenario first developed by environmentalists, who describe how, without world regulation, the planet's resources will be devoured. Companies and countries know that if they don't consume a resource, someone else will anyway. Hence individual interests, in a reversal of the Adam Smith paradigm, undercut the general good.

Similarly, each NATO country has a strong incentive to neglect its own defense, because it is not its defense alone which will deter or throw back Soviet aggression. It is the combined resources of the commons—the NATO countries—which matter. An increase of 10 percent in West Germany's defense budget only increases NATO strength by 1 or 2 percent: the gains are less than commensurate with the costs.

Thus the countries least involved with NATO exhibit the greatest willingness to provide for their own defense. France spends more than 4 percent of its GNP on the military; even under President Mitterand, the French defense budget grows faster than any other country in Europe. Sweden and Norway have undertaken a significant naval buildup, attracting the, er, attention of the Soviet Union. Meanwhile, countries fully integrated with NATO spend an average of 2.5 percent of GNP for

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defense. West Germany has fewer troops of its own on German soil than it does from France, the U.S., and Britain. The theory of alliance—a group of states combining to overwhelm the force of a potential aggressor—thus omits the most crucial factor in the balance of power equation: time. It assumes a static division of power and seeks to organize it so as to make a Soviet war on Europe irrational.

The American response to this dynamic has been to beg, wheedle, and cajole the Europeans into cooperating for the sake of cooperation. Yet such pleas have a poor record of success—not, Mr. Kristol argues, because Europeans are intrinsically selfish, uncooperative, or near-sighted, but rather because it is as much in their interest to avoid a U.S.-Soviet conflict as it is to get involved in one. Conservatives are fond of pointing out the subtle means by which welfare programs undermine the incentive to work and save; does not the same dynamic apply to the American security umbrella in Europe? We have, by failing to let the Europeans defend the Europeans, in some way eroded the European spirit. War will come at the whim of Washington and Moscow; London, Bonn, and Oslo can merely watch the tanks roll and weapons fly. Europe, as Charles Marshall wrote last year in *National Review*, "cannot take war seriously"—not because a war would not be catastrophic, but because Europe today is not in a position to significantly influence its outcome. The stronger the U.S. and U.S.S.R. grow in relation to Europe—regardless of which is ahead—the greater the drive to neutrality. American firmness in a crisis, because it threatens to involve the allies, is as great a threat as Soviet adventurism.

Two problems are generally posed for the Kristol thesis.

Problem one: NATO has performed perhaps its foremost task, keeping the Russians out of Paris, darn well. Of course, one might have said much the same thing about the League of Nations in 1935. If the outbreak of war is needed to prove the existence of a NATO crisis, we can never know until it is too late if Mr. Kristol was right. "If things are as good as my European friends say they are," Norman Podhoretz ventures, "why is it that they look so bad?" The paradox of the alliance today is that the Western nations have never enjoyed closer cultural, economic, and political ties or interests—yet their ability to work together against the common threat has never seemed more in doubt. Hence nearly every speaker argues for some clarification and revision of NATO responsibilities.

The other objection raised for Mr. Kristol, then, is problem two: even a limited, gradual, coordinated reduction of U.S. forces in Europe might send precisely the wrong signal to the Europeans: American retreat instead of American commitment. Surely, however, a properly explained American withdrawal—combined with, say, a strengthening of America's naval forces in the Middle East and the Pacific—would signal not strength or weakness, but *shift*. The knowledge that, even twenty years from now, Europe would have to be self-sufficient would concentrate the continental mind wonderfully. It would require disarmament advocates in Europe to state a clear case against their own defense, rather than blame America for involving Europe in a U.S.-Soviet cold war. Mr. Podhoretz, who has some doubts about the

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Kristol plan, admits: "If Europe is unable to defend itself ... then we in the United States will be unable to go on with our commitment to the defense of Europe. I say this not as a threat but as a prediction." An American call for clarification and revision of NATO may not guarantee the correct response of Europe, but it would certainly end the active *undercutting* of Europe's defense that takes place as the alliance is now structured.

There is, of course, another half to the Kristol plan—for a sea-based European missile that would give the European pillar its own deterrent. "We must have a policy that offers the European nations a chance to survive a military conflict—if possible a chance to win but at the very least a chance to survive. Any nation faced with nothing better than the prospect of annihilation in a war will become gradually more and more neutralist, more and more ready to appease. This is not an irrational response, and cannot be changed through better public relations."

As Gen. Graham points out in *Global Collective Security in the 1980s*, however, the Kristol sea-basing plan does not solve the Kristol problem: enabling Europe and the United States to *survive* a war. Europe would do better at least to have a deterrent, but a deterrent is not the same as a defense. Mr. Kristol himself makes a compelling argument for a shift from MAD strategy to Gen. Graham's program of land-based ABMs, civil defense, anti-missile satellites, and the rest:

"There is no such thing as permanent deterrence. Sooner or later something happens. Sooner or later conflict emerges. And the Europeans"—Mr. Kristol might have added the Americans as well—"are haunted by the fear that when it does, they will be done for."

By proposing a shift to defense, Gen. Graham out-Kristols Kristol. In all the technical detail with which Gen. Graham has explained such systems elsewhere, the shift to defense is often thought of as tremendously complex, invoking images of death rays and Artoo Detoo. In fact, the technology itself is simple; only the concepts and overall scheme are complicated. It is enough for our purposes to note the advantages of a shift to defense as described by Gen. Graham.

America's natural advantages in any arms race lie in superior technology, creativity, growth. The Soviet Union's natural advantage is production, both because the U.S.S.R. already has a huge production base (200 missiles a year against fewer than 10 in the U.S.) and, well, because cheap labor is easily obtained. A missile-for-missile competition is not only more wearying politically for the West; it is less practical. For a cost of $30 to $50 billion, we can build the MX missile in a hardened dense pack basing mode that may or may not work. For about $15 billion, we can put MX in Minuteman silos with a swarmjet or porcupine ABM—a plan since endorsed by the *Wall Street Journal* and *Washington Times*. In other words, it costs far less money to shoot down a Soviet ICBM than to build another American ICBM for the Soviets to kill in a first strike.

"Eventually the U.S.S.R. would undoubtedly attempt to devise means to offset U.S. defense capabilities," Gen. Graham concedes, "but an action-reaction cycle of development in space and defense would favor the United States." Again, one may debate the technical

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merits of laser versus conventional kill vehicles in space (Gen. Graham favors the immediately available conventional vehicles) or of whether a defense program would cost $35 billion, as Gen. Graham has estimated, or $50 billion, as the Pentagon argues. By the strategic and political advantages of defense seem undeniable. A "Manhattan-style" commitment to revise American strategy, as the *Wall Street Journal* called it, "would capture the imagination of the West just as John F. Kennedy's decision to place a man on the moon did in the 1960s."

To the extent that the West rebuilds its capability to survive a war, the vitality of the alliance will certainly be enhanced. Even surviving the East-West conflict, however, may not be enough. There must be, in addition, the hope of winning. One feels this suggestion popping up throughout The Atlantic Crisis, as when David Disorsky of Columbia University stands up and says, "I think a reasonable Western observer would note with dismay that today it is not always better to be an ally of the United States than to be an ally of the Soviet Union. Nor, despite our propaganda to the contrary, is the nuclear triad as reliable as it was once believed to be. And finally, on the domestic scene, a series of presidents have been forced from office: Johnson effectively forced from office by the peace movement; Nixon forced from office by Watergate; and Carter, in effect, through the humiliation of the United States in Iran."

The only echo of an answer comes from Hugh Thomas, who notes, "It is striking to me, really, that none of us is prepared to say that our form of society, democratic society, is exportable to the so-called Third World. The lesson of history, it seems to me, is that a society which is not interested in exporting itself—which says, in effect, the Zimbabweans aren't ready for it, or the Brazilians are too many for it—is soon likely to lose confidence in its own values."

Where Messrs. Disorsky and Thomas were groping, however, Maurice Tugwell was travelling. Deterrence...containment...detente... massive retaliation...the buzzwords of foreign policy past suggest their own weakness. These political strategies all address the problem of Soviet expansion straightforwardly; they do not address the need for Western expansion. They do not attack the central weakness of the Soviet system, the wide gulf between governing elites in the Kremlin and the people.

As a remedy, Brigadier Tugwell recommends full-scale promotion of "the positive ideas and ideals of our own, ones that all the West can help promote and eventually the Soviet empire can share." He is not the first to note that a sustainable foreign policy consensus must be built around something more promising than anticommunism, or to suggest, as Richard Pipes did at the same conference, that the communist foreign policy of global class war must be confronted on its own terms. The heart of Brigadier Tugwell's argument, though, addresses the need to confront perhaps the paramount policy assumption of liberals in the West: namely, the notion, usually based on pragmatic rhetoric, that nothing works. At least, nothing American.

Covert action? It only alienates the Third World. Promotion of American business? The developing countries don't want our Exxons.

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Trade sanctions? You can't hurt the Soviets. Military action? Immoral. Only gestures and treaties are allowed in the conduct of a traditionalist foreign policy. In the domestic debate over foreign policy, liberals seize the moral high ground, vigorously piping the virtues of peace and proclaiming, subliminally of course, that the way to achieve it is through American restraint.

Promoting the values of the West through Voice of America broadcasts, international seminars, and exchanges, and even simply through the rhetoric of Western leaders, implicitly challenges the liberal assumption that America cannot be exported. It forces opponents of such a strategy to reveal their true colors—to suggest that America is not a model for imitation. That places the liberal foreign policy agenda in direct conflict with the root values of the American people.

Indeed, there is a good argument that Ronald Reagan has embarked on just such a course. His Middle East initiative seems aimed at reshaping the correlation of forces in the region. The Caribbean Basin Initiative, Radio Marti, Voice of America beef-up plans, and other schemes either in operation or on the drawing board, seem to mark a clear shift towards the conduct of mass diplomacy. Just as Mr. Reagan ignored the American press and other elites, and took his case directly to the people through television advertising and direct-mail fundraising, so he has jumped the established foreign policy nexus, and—before the British Parliament, at the Berlin Wall, in Central and South America—set about actively promoting the cause of freedom.

The case for new strategies, then, does not mean that NATO or nuclear deterrence has not served a valuable function. "These facts testify neither to success nor failure of NATO but to its non-relevance to some major aspects of policy," Ambassador Kirkpatrick says. They simply affirm the fact that the alliance, to survive, can and must grow and adapt—as it has for thirty-three years.

Gregory A. Fossedal

Dr. Kissinger's Depression

WHITE HOUSE YEARS. *By Henry Kissinger.* (Little Brown, New York, 1979) $22.50.
YEARS OF UPHEAVAL. *By Henry Kissinger.* (Little Brown, New York, 1982) $24.95.

"Too clever by half." Such is the typical neo-conservative verdict on Henry Kissinger. And it is not difficult to appreciate how he has acquired such a reputation. From the outset he was bound to be looked upon with suspicion by anti-establishment zealots in the Republican Party. For not only was he a protegé of Nelson Rockefeller, he was also the only distinguished scholar from an Ivy League base to win the full confidence of President Richard Nixon. And he compounded his unpopularity by parading didactic and patronizing opinions about the strand of high-minded idealism that has run through the entire history

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of American foreign policy in general and through that of the modern Republican Party in particular. Born in Germany, he flaunted his worldly, sophisticated, European mindset. He gave the impression of talking down to his present compatriots, chiding them with desiring either to wage self-righteous world crusades or with dreaming of retreating into simplistic isolation. As an historian he found few past American statesmen worthy of unqualified admiration. Instead, he sought models in Europe. For example, his first book did over-full justice to Klemens von Metternich.[1] And, while in high office, he went so far as to tell Charles de Gaulle, of all men, that Otto von Bismarck was the nineteenth-century diplomat he most admired. (Volume I, p. 110) Too clever by half indeed!

But history is full of surprises. As Winston Churchill—another of Kissinger's non-American heroes—once declared:

> It is not given to human beings, happily for them, for otherwise life would be intolerable, to foresee or to predict to any large extent the unfolding course of events. In one phase men seem to have been right, and in another they seem to have been wrong. Then again, a few years later, when the perspective of time has lengthened, all stands in a different setting. There is a new proportion. There is another scale of values.

What a piquant *bouleversement* of reputation it would be if in the case of Dr. Kissinger it should turn out that on the seminal issue of his era he is eventually judged to have been neither too-clever-by-half nor even half-clever but simply ignorant and neophytic. What if the present agonizingly prolonged recession and the unprecedentedly menacing world financial and banking crisis should culminate in a Second Great Depression and a Second Great Crash (in reverse order from last time)? Would not Dr. Kissinger and his patron Mr. Nixon appear to be the godfathers of national and global catastrophe? What would historians make of the Nixon administration's insoucient destruction of the Bretton Woods Agreement in 1971? And how would posterity judge its invertebrate handling of the OPEC coup of 1973 and its pitiful want of foresight in encouraging American banks to play the leading role in recycling OPEC surpluses to Third World "basket cases"? Would not these matters seem far more portentous in retrospect than photogenic junketings in Moscow or Peking or even the inauguration of SALT and *détente*? After all, who now remembers President Herbert Hoover for negotiating the London Naval Treaty of 1930?

Some signs that Dr. Kissinger may now be having forebodings about the fate that Clio may have in store for him may be gleaned from a close reading of the second volume of his memoirs, which deals at length with the energy crisis. But, paradoxically, much of the evidence that tells against him is presented in his first volume published in 1979, at a point when he was no doubt still unaware of the magnitude of the global economic crisis that had been unleashed by the misdeeds of the Nixon administration. In that first volume he referred to his work as National Security Affairs Assistant in these terms:

> My own participation in the economic deliberations during this period was peripheral. From the start I had not expected to play a major role in inter-

1. Henry A. Kissinger, *A World Restored* (New York, 1964).

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> national economics, which—to put it mildly—had not been a central field of study for me. Only later did I learn that the key economic policy decisions are not technical but political.

He adds with engaging frankness that he took a crash "tutorial" from Professor Richard N. Cooper of Yale University "to learn the rudiments of the subject." Only one tutorial? And he concedes that he "did not seek to manage, much less dominate, the process of policy formulation as I did in other areas of national security." (I, 950–51) But did not someone once say that everything is connected to everything else?

Dr. Kissinger's view of Mr. Nixon is no less revealing. Take, for example, his account of his chief's meeting with President Georges Pompidou in the Azores in 1971. The two leaders engaged upon a broad discussion of world problems. Dr. Kissinger is unstinting in praising Mr. Nixon's contributions:

> In these general surveys Nixon was at his best. He had an excellent grasp of overall relationships and he could articulate our position concisely, often eloquently. (I, 963)

The meeting in the Azores, however, had been expressly arranged to try to deal with the world monetary crisis occasioned by Mr. Nixon's earlier decision to end the link between the dollar and gold. What, then, could be more unintentionally revealing than for Dr. Kissinger to add, in the context of the Azores meeting, that Mr. Nixon had "a lack of interest in economic issues" and hence that the "political conversations" were "by far the most significant part" of the encounter. How could it be that both Mr. Nixon and Dr. Kissinger considered that dealing with the breakdown of Bretton Woods was "economic" but somehow not "political"? In the same context Dr. Kissinger claimed that Mr. Nixon "did not plan to leave his mark on history in the field of economics." (I, 961–63) But did not Dr. Kissinger grasp even in retrospect that Mr. Nixon had done so all the same?

Given Mr. Nixon's reluctance to play a leading role, Dr. Kissinger himself was required to negotiate with Pompidou what became the ill-fated Smithsonian Agreement. Dr. Kissinger recalls with frivolous modesty:

> So it happened that a solution to the monetary crisis was being negotiated between Pompidou, a leading financial expert and a professional banker, and a neophyte; even in my most megalomaniac moments I did not believe that I would be remembered for my contributions to the reform of the international monetary system. (I, 960).

But why had Mr. Nixon destroyed Bretton Woods? The truth appears to be that he was persuaded by the dominating personality of Secretary of Treasury John Connally to seek some short-term domestic advantage. (Mr. Connally's own aims may have been more far-reaching and based on a rather different world view from that of his chief). Dr. Kissinger had some advance warning of what was afoot, but as he recalls:

> With foreign policy consequences clearly imminent ... I assembled the Senior Review Group.... The discussion was inconclusive because everyone recognized that I had neither the power nor indeed the knowledge to insist on any particular policy line. (I, 953–54)

Thus did Dr. Kissinger and Mr. Nixon, neophytes in economics, allow

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the world to be plunged back into the monetary chaos reminiscent of the 1930s.

Nevertheless, seen through narrowly American spectacles, the policy could be defended. Republican neo-isolationists might argue that the United States had been required to pay too high a price for leadership of the whole non-communist world and that the time had come to adopt, if not a Fortress America posture, then at least one that concentrated on the American hemisphere and maybe the Pacific Basin. Those accepting such a premise could see the destruction of Bretton Woods as the beginning of a new self-interested realism. But clearly Mr. Nixon and Dr. Kissinger rejected such a premise. And, in any case, the whole thrust of the new policy was decisively undermined in the years after 1973 when successive administrations encouraged American banks and investors to overextend themselves in a vast range of Third World countries throughout the planet. Some Western politicians were wise at the time. For example, Harold Lever, then a member of Harold Wilson's cabinet in London, suggested to his chief in 1974 that "the banks could not handle the massive flow of funds."[2] We may reasonably doubt whether Dr. Kissinger and Mr. Nixon would even have grasped what he was alluding to.

In the second volume of his memoirs, Dr. Kissinger, it is true, avoids flaunting his ignorance of international economics. All the same, it may be presumed that neither he nor Mr. Nixon foresaw with any great clarity the long-term implications of the oil price hikes that were imposed on the world by OPEC in 1973. Without question James Schlesinger, then defense secretary, and George Shultz, then secretary of treasury, were more knowledgeable. And Dr. Schlesinger, in particular, showed prescience in desiring to take decisive steps to save the West from the kind of trauma it is experiencing today. But Dr. Kissinger had extremely prickly relations with Mr. Schlesinger and may be presumed to have resented his attempts to give leadership to an administration that was becoming increasingly paralyzed by Watergate. In another context, Dr. Kissinger writes of Dr. Schlesinger: "... if he was at least my equal in intelligence, I conceded him pride of place in arrogance." (II, 1155) But the historian may not be so much interested in such qualities as in evidence of knowledge and of foresight. By that test Dr. Schlesinger may appear to have the edge over Dr. Kissinger at least so far as the energy coup was concerned.

Dr. Kissinger is, understandably enough, not particularly forthcoming on the debates within the administration about the possibility of launching a military assault on Saudi Arabia and her gulf allies to secure cheap Western oil supplies. But a clue may be found in Secretary Schlesinger's proclamation of January 7, 1974. Speaking without prior consultation with Dr. Kissinger, the defense secretary warned Arab oil producers that they would risk military reprisals if they were to cripple the industrial world. This caused an uproar in the Arab world. Dr. Kissinger subsequently sought to soften the impact by offering this gloss:

2. *Time*, January 10, 1983, p. 45.

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> Well, as I understand Secretary Schlesinger, he was explaining theoretical situations that might arise if the squeeze became excessive. If I understand him correctly, he also pointed out that this point had not yet been reached. (II, 892)

How much more, then, did the Arabs have to do before the "squeeze became excessive"? Had they not already pushed through a 387 percent price hike in the previous few months? Were they not at the beginning of 1974 still impudently organizing an embargo on oil sales to the United States and the Netherlands?

Early in 1975 Dr. Kissinger was put under pressure in an interview in *Business Week*:

> Q. Have you considered military action on oil?
> Dr. K. A very dangerous course ... I am not saying that there's no circumstance where we would not use force [sic]—but it's one thing to use it in the case of a dispute over price, it's another where there is some actual strangulation of the industrialized world.

President Gerald Ford subsequently stressed that " 'strangulation' is the key word."[3] Evidently Dr. Kissinger, Mr. Nixon and Mr. Ford understood "strangulation" to have a short-term and immediately obvious meaning. They focused insufficiently on the medium-term future that has now, alas, arrived. Dr. Schlesinger may have been a degree more prescient.

It was open to Dr. Kissinger in his memoirs to advance two defenses for failing to go for the Arabs' jugular in 1973. He might have argued, as he does with much justice concerning Vietnam, that American public opinion and the Congress served as a decisive constraint on more robust conduct. Or he could have contended that a military operation against Petrolandia would probably have ended in disaster either because of Soviet countermeasures or as a result of the blowing up of OPEC oil wells on such a scale that the West's economies would have suffered even greater damage over a decade than has, in fact, been the case. These defenses seem to this reviewer no better than barely tenable, but Dr. Kissinger, with the advantage of inside knowledge, might have been able to sway one towards acceptance of the need for appeasement. The fact is, however, that he offers no such defense. Instead, he chooses to imply that his favored non-military remedies would have sufficed if he had not been scuppered by the European Allies.

Dr. Kissinger moans without intermission for almost one hundred pages about the want of solidarity shown by every other leading member of the Free World (led inevitably by France). He affects to be surprised at this conduct. He would have us believe that they should have seen greater attractions in joining the Americans in pursuing all sanctions short of those that would have been effective (i.e. military ones) rather than in following a *sauve qui peut* course.

Dr. Kissinger, of all men, will recognize if not appreciate an historical analogy. When Japan invaded Manchuria in 1932, Hoover and Henry Stimson were outraged and proposed to the British and other

3. International Institute for Strategic Studies, *Strategic Survey, 1974* (London, 1975).

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Europeans that measures should be taken against the aggressor. But it turned out that what they had in mind amounted to no more than "making faces" at Tokyo. The British declined to play any part in such a charade and sought to conciliate Japan. For the British had at that time far more at stake in the Far East than the Americans, and they correctly understood that if the crisis escalated to a Japanese military attack on British vital interests, the Americans would give them no practical assistance.

Was it not essentially the same problem in 1973? Did not the Americans signal to the world their unwillingness to use military force in the prevailing circumstances and their extreme reluctance to do so in any foreseeable contingency? Consider the following passage from Dr. Kissinger's memoirs:

> At a State Department staff meeting on October 18 [1973] I objected to the proposition that the companies had no choice but to agree to the new price hike:
>
> > What do we want to do?... The next year they go to $10.00. Will they have to accept that too?... Then they go to $20.00. Is there some point at which they have to resist?... My instinct would be that since the situation is going to get worse, it's better to have a confrontation early.
>
> The figures I had mentioned sarcastically to demonstrate the absurd lengths to which the abdication of the consumers could drive the oil market began to become reality within six weeks. I was right in my perception, but so was Under Secretary of State for Economic Affairs William J. Casey in his rejoinder: "Well, what does confrontation mean? Nobody in this government has come up with any way to deal with these demands." (II, 874)

Another illuminating passage relates to the events of late December 1973:

> ... I despatched messages to Iran and to all other OPEC governments warning strongly against another rise in prices. What is more I appealed to the governments of all the industrial nations in the West and Japan to weigh in with OPEC against a price increase. There is no record that they did so, certainly not with any emphasis.
>
> Our effort proved useless, if indeed anything could have been done at this late stage. The OPEC ministers in Tehran on December 22-23 boosted the oil price from $5.12 a barrel to $11.65 a barrel.
>
> It is now obvious that this decision was one of the pivotal events in the history of this century. (II, 885)

Does Dr. Kissinger intend us to conclude that his "strong warning" was ineffective merely because other states remained silent? The decisive fact is that the "strong warning," whether or not supported by others, had no teeth behind it. For Dr. Kissinger to blame other governments would appear to be only a way of deflecting our attention from the validity of Mr. Casey's earlier comment.

Turning to another aspect, we find that Dr. Kissinger candidly records: "Of all the participants in the [energy] conference, we were in the best position to go it alone." (II, 908) How true. But why be surprised if the Europeans drew the appropriate Gaullist conclusion, namely that *in extremis* the Americans would indeed go it alone? As Pompidou told Dr. Kissinger in December 1973:

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> You rely on the Arabs for about a tenth of your consumption. We are entirely dependent on them. We can't afford the luxury of three or four years of worry and misery waiting for the Arabs to understand the problem. (II, 897)

At this point Dr. Kissinger signally failed to give a pledge that in the event of a prolonged oil cutoff the Americans would be prepared on an indefinite basis to pool their oil stocks and supplies with their allies for equal distribution on a *per capita* basis. Perhaps, given that the United States is a democracy, no such pledge could have been made or, if made, have been found credible. But the Europeans were entitled to take the point into account and they evidently did so.

Poor Ronald Reagan! What a *damnosa hereditas* awaited him. But though no more experienced in international economics than Mr. Nixon, he has at least had the good sense not to make his principal adviser in world affairs an old-fashioned diplomatic historian. And now he has turned for salvation to the eminently-qualified George Shultz. Ironically, Dr. Kissinger himself pays this tribute in his memoirs: "If I could choose one American to whom I would entrust the nation's fate in a crisis, it would be George Shultz." (II, 81) This was written, of course, before Mr. Shultz became Secretary of State. Dr. Kissinger is thus left in a tantalizing situation. For if Mr. Shultz should fail to save the world from economic catastrophe, Dr. Kissinger is likely to be accorded the larger portion of blame at the bar of history. But if Mr. Shultz should succeed in his perilous mission, it will be he, and not Dr. Kissinger, who will be hailed as the greatest American statesman of the age.

David Carlton

Short Shrift

Dominick T. Armentano

Antitrust and Monopoly: Anatomy of a Policy Failure. (John Wiley & Sons, New York) 1982.

Is antitrust necessary? That's the question raised by Dominick T. Armentano in his challenge to what has been well described by a recent writer in the *Georgetown Law Review* as the "antitrust industry" —bureaucrats in the Justice Department and Federal Trade Commission, teachers of industrial organization and antitrust economics, competitors unable or unwilling to compete, and lawyers, lawyers galore.

After all, who's protected by antitrust? Certainly not the consumer, says Dr. Armentano of the University of Hartford, author of a hard-hitting, well-reasoned, and fully-documented book appropriately subtitled *Anatomy of a Policy Failure*. He argues by logic and evidence.

On logic he attacks the neoclassical and social welfare models of perfect, pure, or atomistic competition. These models see "equilibrium" as the norm and find fault with such common business practices as advertising, price-discounts, product differentiation, purchasing resources cheaper than rivals, locating in areas convenient to con-

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sumers, and so on. Clearly such "deviations" have led to the common view that modern-day commerce can only be characterized as imperfect or monopolistic competition—per the work of Joan Robinson of Cambridge and Edward Chamberlain of Harvard. Citing work by Schumpeter and Hayek, Dr. Armentano declares:

> Far from being useful or predictive, as has often been maintained, the atomistic model leads to incorrect expectations concerning socially desirable structure, conduct, and performance. To attempt to apply the model as a standard in antitrust for determining competition or monopoly power would be nothing short of disastrous.

Evidence against antitrust is presented by a raft of federal cases, few of which do not leave the consumer worse off. Take, for example, the famous Alcoa case. Alcoa reduced the price of aluminum from $8 a pound in 1887, to $3 in 1889, to 50¢ in 1899, to 38¢ in 1910, and to 22¢ in 1937—all these price reductions being accompanied by vast increases in production and demand. In 1937, however, the Justice Department brought suit against Alcoa, charging Sherman Act violations of illegal monopolization, conspiracy, and "other misconduct." The U.S. District Court trial lasted four years, with Alcoa winning a clean bill of health on every count.

The government, however, appealed the decision in 1941, when the price of aluminum had fallen further, to 15¢ a pound. Government attorneys recast their strategy in the U.S. Court of Appeals and won their case in 1944. Judge Learned Hand handed down the opinion that Alcoa had gained its top competitive position "by virtue of [its] superior skill, foresight and industry." Yet, in the next breath, Judge Hand condemned these qualities as "exclusionary" and hence, illegal. He further charged that Alcoa "forestalled" competition by stimulating demand and then, with its usual efficiency, supplied that demand which "it had evolved." In short, Alcoa was condemned for being efficient in serving the obviously pleased consumer.

So, too, in the United Shoe Machinery Case in 1954, the Supreme Court bought the arguments of the Justice Department and found the company guilty of monopolization under the Sherman Act. The Court conceded that the prices of United Shoe Machinery's goods were competitive, nonpredatory, and nondiscriminatory. The court found that the corporation's research facility reflected "efficiency, intelligence and vision." It further found that the customers of United Shoe Machinery were well satisfied with the speedy and efficient service provided by the company. Thus, in spite of the fact that its prices were competitive and its customers happy, the Supreme Court nonetheless declared United Shoe guilty of monopolization and ordered it to divest itself of a significant share of its shoe machinery business. Again, the competitors of the antitrust defendant corporation were gleeful, while the consumer got the short end of the stick.

William H. Peterson

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Avraham Shifrin
The First Guidebook to Prisons and Concentration Camps of the Soviet Union (Bantam Books, New York) 1982.

In this book, Avraham Shifrin, an exiled Jew who spent fourteen years in the Soviet penal system for anti-Soviet activities, has produced a work that might sardonically be called "The Gulag on 5-to-10 Rubles a Day." The book documents many of the 2,000 known prison, slave-labor, and extermination camps within Soviet borders giving location, size, and condition. Special maps and photographs, many of which were taken at great risk and smuggled to the West, illustrate the harsh and brutal reality of the Soviet penal system.

Signs proclaiming "Honest Labor, the Road Home" can be seen hanging above the entrance to many of the camps. From Lefortovo, the special K.G.B. prison in Moscow, where nets hang in the stairwells to prevent desperate prisoners from jumping to their death and "isolation cells" serve as holding areas, to Novosibirsk City in Siberia, where fifteen concentration camps and four prisons "service" the area, the tales of despair and brutality are the same. In the frigid outer reaches of the Siberian camps come reports of prisoners driven to self-mutilation by the brutal working conditions in the logging camps. Prisoners who chop off a finger, swallow a nail, or stitch a dirty thread through an arm or leg are common.

Approximately 60 million innocent people have died in the last sixty years in the camps, people whose crimes include a belief in God, reading literature not approved by the state, or disagreement with the regime. One "patient" in Psychiatric Hospital No. 7 was arrested for carrying a placard saying "I want to leave the U.S.S.R." The diagnosis of the "physicians" was "Misjudgement of the surrounding reality."

To help build the Soviet war machine, thousands of prisoners in the Cherepovets region mine uranium used in atomic bombs, others on Paldiski Bay are assigned to clear the exhaust nozzles of atomic submarines. These are the death camps. There is no protective clothing so most die from radioactive contamination.

In many of the 119 prisons and camps for women and children, trinkets and souvenirs are made for tourists. Even the mascot of the Summer Olympic Games in Moscow 1980, the cute little bear Mishka himself, is a product of prison labor. Women in a concentration camp on Shikotan Island process much of the caviar sold to the Free World.

Mr. Shifrin's book is not light reading; in fact, it is horribly depressing. However, its superb documentation makes it a necessary resource for every person who cares about freedom and human rights. And for students of politics and international affairs, the *Guidebook* further illuminates the nightmare of the U.S.S.R.

Candace L. Strother

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Herbert Levine
Political Issues Debated (Prentice-Hall, Inc., Englewood, New Jersey) 1982.

How do we exclude bias from textbooks? The problem is acute, particularly when the topics are history, economics, and political science. We cannot simply present "the facts." "Without theory, the facts are dumb." A theory is needed to decide which facts are relevant, to place them in some sort of order, and to make them comprehensible to the reader. But a theory, however necessary, means a bias. Perhaps, then, the textbook should take account of various conflicting theories? Certainly—at least in theory. In practice, however, a textbook which tries to combine several contrary viewpoints within a consistent narrative would be both rambling and impossibly dull. Every positive statement would be balanced by its negative; every assertion qualified into submission; every fact set on by another fact. Is the problem insoluble?

Dr. Levine demonstrates that bias can be presented impartially, complexity made simple, and the circle squared by the traditional device of the debate. In *Political Issues Debated*, he reduces a number of important issues in political science down to two contrary viewpoints. He is an excellent advocate and gives both prosecutor and defense equal time, balanced information, and comparable ingenuity. For instance, on the question of: "Is America a fascist society?"

Pro: "Although it pretends to promote peace, the United States has engaged in major 'hot' wars in Korea and Vietnam—wars, incidentally, waged against nonwhite peoples."

Con: "In the wars in Korea and Vietnam, the United States had the support of many nonwhite countries. The South Korean and South Vietnamese governments were nonwhite, too."

These two conflicting points are extracted from one argument in *Political Issues Debated* and certainly have the makings of an interesting debate. Who could resist commenting on American fascism?—or the disarmament, or political interest groups? Dr. Levine's book includes simple explanations of political language and institutions together with the facts anyone needs for a sound and relevant argument. The subjects are complex enough to stimulate controversial discussions, yet sufficiently explained to encourage maximum student participation.

Last but not least, Dr. Levine is a lively writer. The subjects he develops with well-researched and fair arguments consequently make an excellent introduction to political science. And they serve to inoculate the student against hidden bias.

L. M.

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*Soothsaying**

DAVID RANSON

Medieval philosophers learned from the ancients that matter is constituted from four elements: earth, fire, water, and air. Human personality was likewise seen as a construct of a few basic emotional forces: the phlegmatic, the melancholic, and so forth. It is only natural for economics, that most medieval of contemporary sciences, to rely on similar classifications.

Economic expectations, for example, are a mixture of two basic anticipatory modes of thinking: extrapolative and regressive. "What goes up must come down" is a representative statement of the regressive model. Physically, of course, this maxim is untrue. An object thrown into the sky with sufficient force will reach escape velocity and not come down at all. To plot its future course we would then have to extrapolate.

Regression and extrapolation are both integral to forecasting. The belief that recessions are always followed by upturns, and booms by downturns, is based on regressive thinking. In the shorter term, though, forecasters usually extrapolate. Thus, the longer the current recession has lasted, the more pessimistically some observers rate the prospects for prompt recovery.

Perhaps this is why, as 1982 drew to a close, each fellow seemed to be frantically trying to be more pessimistic about 1983 than the next. Expecting recovery to start soon after the beginning of the past year, many were repeatedly burned as each quarter of slump went by. The most rational of gamblers cannot resist the temptation to lower his sights following a string of bad calls. As I write, Bob Eggert's *Blue Chip* "consensus" of forty or so forecasters looks for GNP growth of 2.5 percent in 1983, down from 3.5 percent in September. I could hardly disagree more; my firm is publishing a figure near 6 percent.

*With this article, Mr. Ranson begins a regular quarterly column in which he will discuss alternative forecasts of the course of the U.S. economy and compare the views of other forecasting organizations. His own predictions will be based upon the analyses of the Boston-based company, H.C. Wainwright & Co., Economics, of which he is a partner. In this initial article, he introduces the methodological basis of Wainwright's forecasts. He wishes to acknowledge the contributions of his colleagues, Charles E. Babin and William G. Shipman.

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The prevailing gloom is shared even by the Reagan administration, which throughout 1982 had cruelly been held in the limelight forever insisting that recovery was just around the corner. Whether the White House was believed or not is hard to tell, because it has long been traditional to project an economic path that is somewhat more optimistic than the private sector consensus.

There is a political logic to this. To portray anything less appetizing would risk fueling outside pressure to deviate from the policies that the administration has put in place. Anyway, we have now a curious event: an official forecast (reported by the *New York Times* to be 1.4 percent) that is more pessimistic than those of most outsiders! Has the White House been seized by a fit of chastened realism?

Probably not. Everyone is influenced by incentives, even in the government itself. I would look instead for a motive to underplay rather than overplay the path of the economy. The known views of President Reagan himself may provide a clue. He does not like the pessimistic forecast, and he does not want another tax increase. Is it possible that his advisers *do* want another tax increase and are fixing on a forecast that they think will increase pressure to force one through the Congress?

The link between the official GNP forecast and tax policy is the budget deficit. A sufficiently large projection of the deficit can frighten anyone. Fix the real GNP growth path between 1 and 2 percent, and you can get deficit numbers that will scare the Congress enough to influence its voting quite a bit.

Now, forecasting the deficit is a fool's game, because the target just will not keep still. You can be exactly right given the tax and spending changes that are already on the books, and they can still fool you by enacting different ones. They can also shift funds from one year to another or use all manner of creative accounting methods, to make the deficit (for a while) close to what they want.

Still, the budget deficit is forecastable to a degree. There are two schools of thought with wide appeal: it is high and will remain high; and it is high and will get worse. I belong to neither of these schools. My "incentivist" bias predicts a sharp decline in the deficit—beginning by the end of 1983, and continuing into 1984. The source of this optimism?—the financial markets.

An Incentivist Approach

Some economists identify the federal budget as the key lever for steering the economy; others identify the money supply. Both

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groups have active fundamentalist wings: those who want to keep the budget rigidly in balance, and those who want a tightly defined path for the money supply. The Reagan administration has bought the fundamentalist prescription, albeit a lost cause, in both cases.

From an incentivist point of view, this is all wrong. The advocates of fiscal and monetary rigidity are confusing symptom with disease. They want to target *quantities* that are consequences rather than causes of economic events. Budget deficit changes, for example, are the result of past and present rates of growth, inflation and defense spending.[1] Increases in the monetary aggregates likewise reflect the shifting demand for money and hence the state of the economy. The use of budgetary or monetary quantities as policy targets is backward looking.

The opposite is true of *prices*. For an incentivist like me, it is prices (reflecting choices yet to be made), not quantities (reflecting choices already sunk), that govern future events. Price levers include tax rates, exchange rates, the value of the dollar in terms of commodities, and interest rates. By design or default, policymakers today are inducing all of these price levers to fluctuate. Tax rates are being jacked around, exchange rates are floating, and the dollar is inconvertibly meandering.

Markets know a heck of a lot more than economists do about where the economy is going. Extrapolation and regression are not the only approaches to forecasting. Price quotations in the markets for commodities, currencies, credit, and so on, contain the markets' own implicit forecasts of future events. Prices provide economic barometers, which can be monitored continuously and can change very suddenly on critical occasions. Such information is underutilized as a forecasting instrument and deserves closer study. The trick is to decipher the markets' signals. It is a trick that my partners and I have spent the last several years studying. Even for GNP, the markets have a forecast of their own, and we have made it our job to try to figure out what it is, and then disseminate it.

Space does not permit me to describe our methods fully here.[2] Suffice it to say that the relationship between a key price lever—the interest rate—and the present and future path of the economy

1. "Budget Deficits and Inflation: Cause or Consequence?" *Economic and Investment Observations*, H.C. Wainwright & Co., Economics, January 18, 1982.

2. An outline was recently published in a paper of mine entitled "Using the Bond Market to Forecast Corporate Earnings," Center for Research in Security Prices, University of Chicago, May 1982 Seminar *Proceedings*, pp. 39–70.

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is extremely close. It explains *by itself* some 70 percent of the variation in annual real GNP growth rates over the past three decades. The correlation arises from links between expected inflation, financial market prices, and the bracket "creep" that results from tax progressivity.

This relationship implies a straightforward recipe for cooking up our economic predicament. Start with a rigid money supply growth rule, and wait until the economy hits upon a burst of growth, as it sooner or later will. When the demand for money accelerates, prevent the monetary aggregates from accommodating this growth by pushing the interest rate up as necessary (spring 1981).[3] Then wait another year or so until the resulting recession arrives. This will set off unemployment, bankruptcies, and international financial turbulence that will reinforce the pressure to bring interest rates back down. The money supply by this time is in less danger of violating a growth ceiling, which has in any event temporarily lost some of its political relevance. Allow interest rates to fall (autumn 1982). After another year or so, the economy will be booming again. Turn the screws back on (sometime in 1983?). Repeat. The result of this process will be economic fishtailing: a business cycle with frequent turning points and ever greater amplitude.

Incentivist thinking therefore leads to a bittersweet diagnosis: we are riding an economic roller coaster. Now, the worst part of a roller coaster ride is the down side. That we had in 1982, a recession whose depth and longevity the "market's forecast" accurately foresaw the year before: a 2 percent year-over-year dip in real GNP forecast in mid-1981.[4] By the same calculation, I forecast we are about to be exhilarated by the up side in 1983, with a year-over-year growth rate of about 6 percent. As long as the Fed's interest rate policy follows the current yo-yo pattern, we are in for more of these ups and downs—whether fiscal policy continues to seek tax increases or, as I would advocate, turns back to Reagan's tax-cutting mandate.

Watching markets can also tell us where official indices of inflation are headed. The prices of gold and other commodities peaked out late in the Carter administration and moved steadily downward for a year and a half or so. This information made the favorable trend in the CPI quite predictable and portends a low official

3. "Panic at the Fed," *Political Update*, H.C. Wainwright & Co., Economics, May 26, 1981.

4. "Forecast Summary," H.C. Wainwright & Co., Economics, July 1981.

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rate of inflation for some time to come. But around the middle of 1982 the commodity markets reversed themselves. The intermediate term outlook for inflation is up, beginning by 1984.

The Logic of the Pessimists

Returning to the disagreement about GNP, I often hear three arguments for the inability of the economy to recover rapidly. First, a consumer spending boom is ruled out with unemployment so high. That sounds logical, but the historical record indicates that it is exactly when unemployment peaks that the most dramatic turnarounds have often occurred: for example, in late 1970 and mid-1975. Second, the rest of the world's economy is held to be too weak to spark an export-led recovery. True, but beside the point. Exports perform best when the economy is down. Recoveries have been associated in the past with widening trade deficits, as in 1970–72 and 1975–77.

Third, it is argued that the high level of what are misleadingly called "real interest rates" closes off the incentives to invest and grow. Here again, historical facts belie the point; far from a leading indicator, capital spending has consistently lagged behind GNP. Moreover, "real interest rates" are not as high as they seem. The official price indices from which they are calculated lag far behind timely commodity price signals. Commodities have been heading upward in recent months. In any case, a correct calculation of the real rate of interest would use an estimate of the *expected* rate of inflation, which the futures commodity markets suggest still remains high.

Should the markets prove accurate, unemployment will begin to decline quite soon. The decline will not be rapid, because it is characteristic of unemployment to decline during booms more slowly than it rises during recessions. It is, after all, easier to shake passengers off a braking train than to scoop them all back on a speeding one. If I could translate that into Latin, it would make a marvellous epitaph for the economics of austerity.

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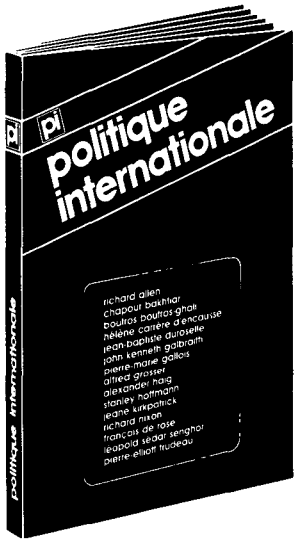

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